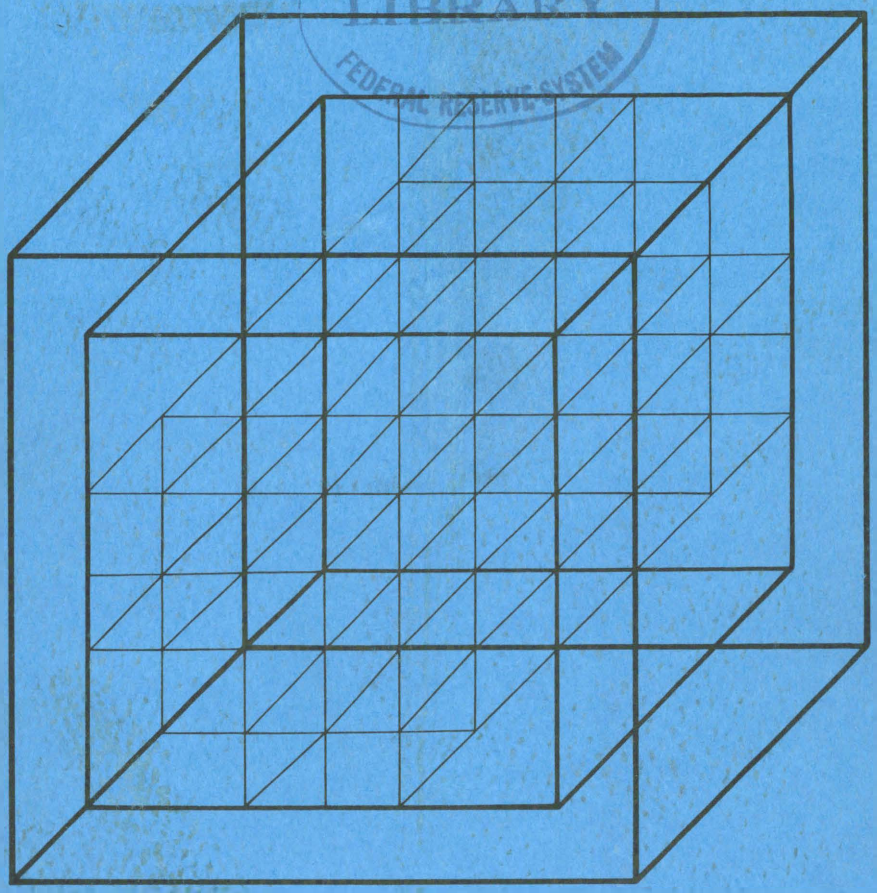
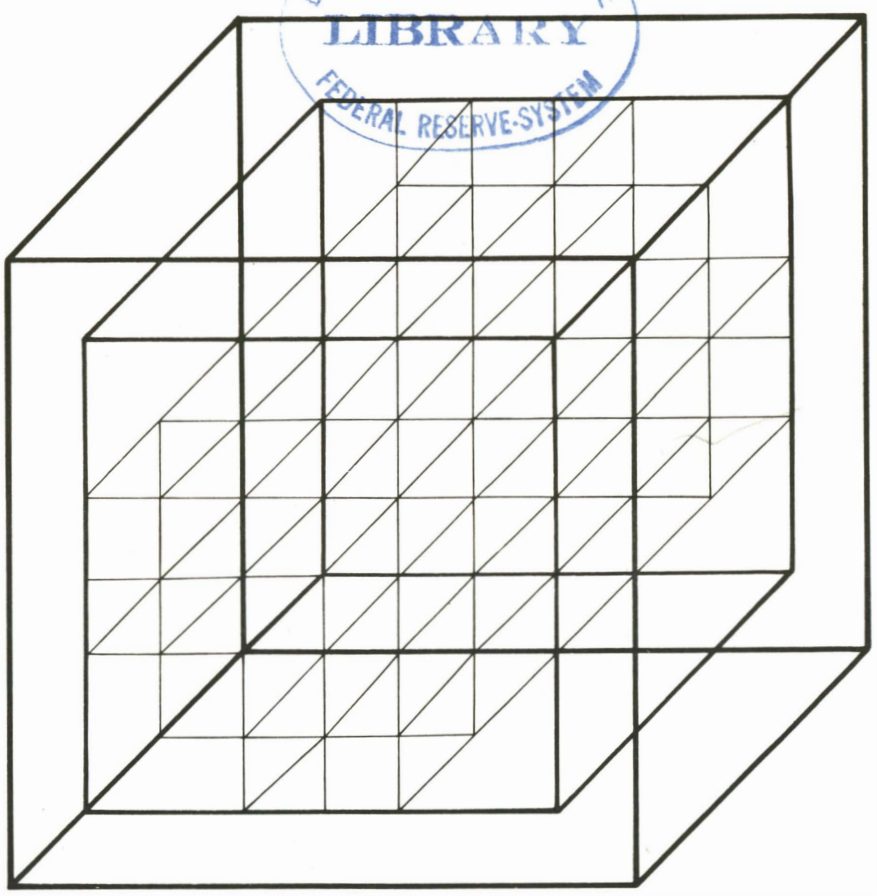
INTRODUCTION TO FLOW OF FUNDS



FEBRUARY 1975

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTRODUCTION TO FLOW OF FUNDS



FEBRUARY 1975

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Price: 50 cents a copy: in quantities of 10 or more sent to one address, 40 cents each. Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C., 20551, and remittance should be made to the order of the Board of Governors of the Federal Reserve System in a form collectible at par in U.S. currency. (Stamps and coupons not accepted)

CONTENTS

PREFACE

Flow of funds accounting is a national statistical system that has been under development by the Federal Reserve since 1947 and that has been published in several forms during that period. Descriptions and definitions of the successive forms of accounts have appeared both in the Federal Reserve *Bulletin* and in separate publications.[1] In the following pages that descriptive material is pulled together and brought up to date with the current form of the accounts. The material appears in Sections III and IV as a set of relationship tables and definitions of sectors and financial categories that are reference material on the subject. An introduction to the conceptual framework of the system is in Section II, and Section I provides a broad description of the purposes of the system and an aggregative view of recent decades that emerges from the data in its present form.

This is not a statistical publication, although a few tables in the appendix underlie the historical material in Section I. Nor does it include descriptions of specific statistical sources and derivation procedures used in compiling the accounts. The data are published and made available in several forms as described in Section V. A separate publication on the details of derivation methods is mentioned in Section VI, which discusses briefly the problems of adapting data sources to the account structure.[2]

This publication is at a general level and is intended merely to indicate why the system has been constructed and what it encompasses. The Bibliography includes several review papers that go into further detail on uses of financial accounts for judgmental and econometric analysis and that include their own extensive bibliographies on macroeconomic work in financial analysis. This publication is an introduction to that work as well as to the flow of funds accounts themselves.

[1] For earlier publications, see Bibliography, p. 53.

[2] All requests for data and for information about the accounts should be addressed to Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

I CONCEPT OF ACCOUNTS

The flow of funds system of national accounts is designed to bring the many financial activities of the U.S. economy into explicit statistical relationship with one another and into direct relation to data on the nonfinancial activities that generate income and production. The purpose of the accounts is to provide, systematically, the aggregate measures of transactions needed to identify both influences of the nonfinancial economy on financial markets and reciprocal influences of financial market developments on demand for goods and services, sources and amounts of saving and investment, and the structure of income. The accounts are intended to provide an empirical base for exploring such questions as the sensitivity of borrowing to interest rates as against other influences, the effects of cost and supply of credit on physical investment demand, the role of money holdings in the public's structure of assets and liabilities, and the relation of financial positions — levels of assets and liabilities — to demands for goods and services, for credit, and for investment in financial claims.

The flow of funds system focuses on such questions in a macroeconomic setting that covers, as far as possible, all of the institutional groups and all types of transactions in the economy. Some elements of the system exist elsewhere and separate from the structure — as statements of, for example, corporate finance, government finance, balance of payments, money and banking activities, individuals' saving, residential finance, and security market activity. These elements are incorporated into the system as integral parts, together with information from income and product accounts on saving and capital formation. Each such element is one aspect of an integrated economy, and each connects with the others in several ways. The security markets, for example, are a point of intersection among business developments generating long-term credit needs, international capital movements, bank credit availability, flow of credit through financial institutions, and the financing of government deficits. When all of the relevant information is put together in mutually consistent fashion in one framework, each element is seen as part of a broader macroeconomic system, and its connection with the other parts can be made explicit enough for analysis. Like the national income and product accounts published by the Department of Commerce, the flow of funds system is a social accounting structure that records both the payment and the receipt aspects of any transaction included in the system and that includes a balance in each account of the structure between total payments and total receipts. The flow of funds accounts can in fact be viewed as a direct extension of the Commerce income and product structure into the financial markets of the economy, with the purpose of establishing direct linkages between the Commerce data on saving and investment — the capital account in the income and product structure — and the lending and borrowing activities that are associated with saving and investment.

MODEL ACCOUNT STRUCTURE

The nature of those linkages and, more generally, the relation of financial markets to the nonfinancial activities of the economy are portrayed in Table 1. The table is a severely condensed and simplified form of the flow of funds matrix found on page S.1 that maps more completely the basic structure of the flow of funds system.[3] The arithmetic of the matrix

[3] The note to Table 1 is important for working out the relation between the general description in this section and the more complex form that financial activity takes in the actual economy.

is fairly simple, and when applied to the full system of accounts it provides a basis for understanding both the accounting relationships among the time-series tables in this publication and the analytic approach underlying the system.

The accounting rules of the matrix, their consequences for analysis, and the relation of the matrix to the tables are spelled out in Section II. Very briefly, Table 1 is a statement of capital account for the economy as a whole, showing investment in assets in the uses columns and means of financing that investment in the sources columns. The table divides the economy into several sector groups, each of which has a column in the matrix, and all transactions of each group are recorded on one or another of the matrix rows. The top row — saving — is for each sector the net sum of current receipts from income less current outlays for consumption, operating expenses, and so forth. Saving appears as a net amount available from current operations for investment purposes. Other amounts are borrowed in financial markets by each sector, and borrowings and saving together are the sources of funds used to acquire physical and financial assets.

A distinction is drawn between nonfinancial

TABLE 1 **MODEL FLOW OF FUNDS MATRIX**
(Hypothetical data; billions of dollars)

Transaction category	Private domestic nonfinancial sector		Government sector		Financial intermediaries sector		Rest of world sector		Totals		Memo: domestic totals	
	Use	Source	Use	Source	Use	Source	Use	Source	Use	Source	Use	Source
Nonfinancial:												
1. Saving		179		−10		5		−4		170		174
2. Capital outlays	170		--		--		--		170		170	
Financial:												
3. Net financial investment	9		−10		5		−4		0		4	
4. Total financial uses and sources (5+6)	69	60	5	15	70	65	3	7	147	147	144	140
5. Deposits at financial intermediaries	50		3			55	2		55	55	53	55
6. Loans and securities	19	60	2	15	70	10	1	7	92	92	91	85

NOTE. — This table compresses about 20 sectors in the full system into four columns for sector types that are to be distinguished in the present discussion, and the rows are a similar grouping of transaction categories. In addition, the matrix is simplified by omitting the row and the column for discrepancies and a number of items peripheral to the main stream of financial transactions. These omitted items are treated in the model as nonexistent in the simple economy shown. Specifically, the relation of transactions in this table to the full matrix on page S.1 of the tables is conceptually as follows:

Full matrix	Model
Gross saving	Saving
Gross investment	Omitted
Private capital expenditures, net	Capital outlays
Net financial investment	Net financial investment
Financial uses, net and financial sources	Total financial uses and sources
Gold, foreign exchange, Treasury currency	Omitted
Demand deposits, currency, and time and savings accounts	Deposits at financial intermediaries
Insurance and pension reserves, and interbank items	Omitted
Credit market instruments	Loans and securities
Security credit, trade credit, taxes payable, noncorporate equities, miscellaneous, and sector discrepancies	Omitted

The Government sector should be interpreted as central Government only, with State and local governments omitted as another simplification. Of the omissions, the most important for the discussion that follows is insurance and pension reserves, which are a major form of intermediation. This item is left out because part of such reserves are liabilities of governments and complicate the relation between intermediation on the one hand and financial institutions on the other. The present section is focused only on the broad outlines of structural relationships, and a more detailed description requires many qualifications and additions to the broad form in order to incorporate these governmental reserves and the other omitted items.

transactions reflected in the first two rows of Table 1 — purchases and sales of goods and services, transfer payments and receipts, and taxes — and financial transactions in the following rows — net changes in the capital amounts of claims owed as liabilities or held as assets by each sector. All of the financial transactions of a sector are combined into a net financial investment that is the excess of the sector's lending (financial uses) over its borrowing (financial sources).

The two most basic constraints in the matrix are (1) that for each sector total investment, which is the sum of capital outlays plus net financial investment, is by definition equal to the saving shown in row 1 for the sector, and (2) that on any one row of the matrix the sum of all uses of funds shown across the columns is equal to the sum of all sources of funds in that row. (Rows 1 and 2 of Table 1 are the source and use sides respectively for a single row covering all nonfinancial transactions together.) With balance vertically between saving and investment and horizontally between payments and receipts, each column and each row constitutes one full account of the structure, and the relationships among columns, among rows, and between columns and rows express the interlocking nature of the accounting system as a whole.

As one illustration of the structure, the government column in Table 1 can be seen to be a particular form of budget statement, with a nonfinancial deficit in the first row offset by a net sum of changes in cash balances, loans, and debt outstanding in the rows below. This column is a balanced account that differs from other budget statements for governments mainly in that it distinguishes sharply between nonfinancial and financial transactions and arranges transactions so that they can be identified across the rows in the accounts of other parties to the transactions. The rest of the world column is similarly a particular form of balance of payments statement, arranged so as to connect it with other sector columns along specific rows. A loan from the government to abroad, for example, appears on row 6 as a government use of funds and a foreign source of funds, regardless of how it may be treated in other budget statements or balance of payments statements. Each of the two loan entries — the use and the source — is then playing a double role in the matrix, vertically as a component of its sector's column balance, and horizontally as part of the row balance. In the row they of course balance each other, but vertically they integrate in more complex ways with the other transactions of the two sectors separately. The interlock of the system consists of establishing such double roles, horizontally and vertically, for all transactions of all sectors in the system simultaneously. The result is an integrated structure that can be used to measure linkages either vertically or horizontally or, in the most complete forms of analysis, in both directions simultaneously.

The condition that saving equals investment for each sector is identical in form with the well-known equality of saving and investment for the over-all economy in income-and-product accounting. For the total economy, investment on a consolidated basis consists of outlays for capital goods plus net foreign investment, the excess of lending abroad over borrowing from abroad. In the flow of funds accounts, similarly, each sector's investment consists of its purchases of capital goods plus a net financial investment that includes net lending to the rest of the domestic economy as well as to abroad. In the model matrix (Table 1), the first three rows state the equality of saving and investment for each sector, and at the right of the model matrix is a separate column of totals for the three domestic sector columns of the table. This memo column is one form of the capital account in the Commerce De-

partment income and product system. It can be seen that the matrix, in its domestic sector columns, constitutes a deconsolidation of that capital account, with capital outlays distributed among the domestic sectors and for each a net financial investment that is a more general form of the net foreign investment in the consolidated total.

This relation to the Commerce domestic capital account is in the first three rows of the matrix. In the lower rows, the matrix goes into detail on the forms of lending and borrowing by each sector that underlie the sector's net financial investment. Only two types are shown on the model — deposits at intermediaries and loans and securities—but the full matrix (p. S.1) has many more than this, as shown by Table 7 on page 41. For each of these financial rows a full accounting of purchases and sales of the particular type of instrument is required in the system. It is this detailing of credit transactions in the capital account that brings the financial statistics of the economy into coherent relation to one another and into direct relation to the nonfinancial statistics in income and product accounts. The accounting link to nonfinancial transactions is net financial investment (row 3 of Table 1), but the economic substance of the information is in the interactions among specific types of credit flows — deposits and loans — and between such flows and specific forms of capital outlay, income generation, and saving, all within the accounting constraints of the system.

The matrix goes beyond the Commerce capital account in that it incorporates the foreign sector (rest of the world) as an explicit column. This form requires that the consolidated domestic capital account be shown as a memo column, but it has the advantage that for each financial transaction row the matrix states directly all of the transactions in the market, whether domestic or foreign. Alternative forms tend to complicate or obscure the matrix without adding information.

ANALYTIC ROLE OF MATRIX

The matrix is an essential framework for both calculating and using financial market statistics on an economy-wide basis. It is general enough in form to assimilate the creation of new types of financial instruments, new forms of relationship, and changes in emphasis or practice that are continually occurring in individual financial markets. The explicit constraints of the system enforce a consistency of analysis not easily reached without the framework, particularly in questions at a macroeconomic level, where all market forces interacting with one another are to be accounted for. Such questions become operable only when the transactions involved have been stated within the matrix context on a complete basis but without double-counting.

The role of the matrix for such purposes can be seen by the simple exercise of assuming some major financial development — such as a sharp rise in government borrowing or in deposit flows to banks — placing that flow in its appropriate cell of the matrix, and working out even a minimum possible conjunct set of entries that must exist to keep the matrix in balance. If the example is in government borrowing, that source of funds to the government must be mirrored in the government column in some combination of a nonfinancial deficit (negative saving) and government lending as an offsetting use of funds, since the money raised is obviously being absorbed in one way or another. At the same time, the borrowing itself must be matched by an equal amount of lending somewhere along the row that carries government securities. And in whatever column that lending appears, there must be a source of funds available for this use. In the simplest situation that source can be the positive private

saving and borrowing from the government that are already implied in the government account. For example, a minimum complete accounting for the government borrowing might be:

	Private		Government	
	Use	Source	Use	Source
Saving		7		−7
Government loans		3	3	
Government securities	10			10

When this form of speculation is extended from the merely possible into the realm of the likely, economic analysis enters the exercise. In the example above there are questions of the probable demand by private sectors for other types of financial assets, such as cash and other deposit claims, that are competitive with governments as investment forms and that affect the volume of flow into financial intermediaries and the volume of credit supplied by intermediaries. More broadly, analysis raises questions as to the circumstances that generated the government deficit, including income distribution and private demand for capital goods, and the resulting influences on credit market flows. Each aspect of the picture interacts with the others, and as the various tendencies are itemized they are to be fitted into the frame of the whole in mutually consistent forms.

The operation of the matrix is also illustrated by considering the question of what happens when the money supply increases. Money is a liability of the banking system and an asset of the public; if it increases, the increase must be accompanied by some combination of a decrease in other bank liabilities, an increase in bank assets, and offsets in the accounts for other sectors. The organization of the accounts forces these contra-entry questions to the surface and in the process spells out the initial question in a complete form.

Analysis of this kind can be applied to an actually expected set of developments by using the matrix structure as a device in forecasting or projecting the future, with the specific function of keeping individual parts of the forecast in touch with one another. The merit of such constrained systemwide forecasts is that each element can be tested by the plausibility of its counterparts in other areas of the matrix. The structure as a whole is reasonable only when all of its parts are reasonable. Whether the elements are derived econometrically from empirical models or put together judgmentally by hand, there is room in the procedure for successive approximations that approach the final result by working out the effects of each change on the rest of the structure and by then working back from the effects to revised versions of the initiating change.

Developing a complete forecast on this basis illustrates the integral role of financial market behavior in capital theory and in general theories of income, production, and economic growth. For each individual in the economy, the choices he makes as to consumption, physical investment, financial investment, and borrowing are related to one another and are confined only as a group within the limits of his income and net worth. The option of borrowing lets a person shift his consumption and investment patterns over time, and higher levels of debt allow him to carry higher levels of either physical or financial assets at any time. He may in his mind attach priorities to one or another use of his income, but in practice all of his demands work against one another to some extent and indeed are also influencing the amount of income he tries to earn.

The columns of the matrix recognize these relations among the activities of an individual transactor by putting all of his transactions together in the general form of a statement of sources and uses of funds.[4] The system becomes macroeconomic when the columns for all sectors are put against one another to generate the market summary rows where the demands of different transactors impinge on

[4] Although they are combined, by statistical necessity, with similar transactions of many other individuals.

one another. The effect is a joining of financial investment analysis directly to theories of production, income, saving, and physical investment in a manner that adds generality to the model as a whole.

STOCKS AND FLOWS

The immediate connection between financial markets and nonfinancial activity is in terms of net flows of claims, since it is as flows that financial markets absorb funds from income and supply funds to spending. These financial flows are always increments in amounts of assets and liabilities outstanding, however, and the levels of these claims in existence are as much a part of the picture as the flows themselves. Economic equilibrium (in any sense of that term) must be a balance simultaneously among stocks, among flows, and between the stocks and flows, a consideration that is reflected not only in advanced models but also in such rule-of-thumb indexes as liquidity ratios, turnover rates, and debt-service coverage by income.

Over the period covered by the flow of funds accounts, several types of credit have shown fairly stable relations to expenditures or receipts in terms of flows, but the flows have been at such rates as to generate strong secular drifts, relative to activity, in levels of debts and assets, either upward or downward. The meaning of these drifts in stock relationships, or even whether they have meaning, is an important aspect for financial analysis for the near and intermediate future, and for such questions data on stocks of financial claims outstanding are included in this publication on a basis parallel to the tables on flows, including both a matrix of claims as assets and as liabilities, on pages S.2 and S.3, and time series compilations for individual rows and columns.[5]

[5] As of this publication, the accounts on outstandings are incomplete as balance sheets in that they exclude physical assets and therefore exclude any measure of net worth; as the problems of valuation and data are worked out in this area, it will be possible to complete the balance sheets at some time in the intermediate future.

INTERMEDIATION AND PRIMARY CREDIT FLOWS

The generality of the matrix tends to obscure certain structural aspects of the financial system that are of continuing interest in analysis. These structural aspects have to do with concepts such as intermediation, "primary" demands for credit, and "ultimate" sources of credit — or more broadly with "double-counting" of credit flows and the position of financial institutions in the system. In a general sense, intermediation consists of borrowing for the purpose of lending rather than for nonfinancial outlays. The term is usually associated with financial business, such as banks, savings institutions, insurance companies, and investment companies that concentrate on such activities. The distinction between intermediaries and nonintermediary sectors must be recognized as institutional and a question of degree rather than a concept definable in theory; on the one hand households, nonfinancial business, and governments also engage in intermediation to some extent, whereas on the other hand intermediaries are subject to the same *general* investment principles as nonfinancial sectors. Nevertheless, the difference in degree is extreme and the distinction justified in practical analysis.

Intermediaries tend to specialize in the forms of debt they offer, or the forms of credit they extend, or both. Insurance companies, for example, raise funds primarily through policy premiums but invest broadly in credit markets, while finance companies specialize in their lending but not their borrowing forms. Savings and loan associations are specialists both in borrowing — through savings accounts — and in lending — mortgages. In whatever way they specialize, however, these institutions are filling a gap between the types of claims the nonfinancial public wants to hold as assets, such as liquid deposits and insurance reserves, and the very

different types of claim the public wants to (or is able to) owe as debts, such as bank loans, consumer credit, and mortgages. With or without intermediaries, the total of claims held as assets by nonfinancial transactors is nearly equal to the total of their debts, because directly or indirectly they owe the debt to one another. But with intermediation the composition of their assets becomes very different from the composition of their debts. The intermediaries are thus performing a transformation process within the financial markets between the asset and the liability sides of the public's balance sheet.

Intermediaries are important to analysis in a number of ways. Their presence in the market broadens enormously the forms of both financial investment and borrowing available to the public — there is no question that capital formation, saving, income, and consumption are all higher than they would be without the catalytic influence of intermediaries in raising financial flows. In the U.S. economy a large part of all credit goes through intermediaries. In the short run much of financial analysis is concerned with how well intermediaries are meeting demands for the specialized forms of credit they offer with the funds they are able to attract from savers. Legal constraints on their rate structures, lending practices, and forms of borrowing often prevent intermediaries from adjusting fully to current conditions and decision patterns, causing sizable shifts of funds into and out of them. On the other hand intermediaries frequently introduce new practices or new credit instruments that also have major effects on the structure of flows. Both the constraints and the innovations of intermediaries have to be taken into account in even simple and summary analysis of economic development.[6]

[6] A review of depositary intermediation in recent years appears in "Time Deposits and Financial Flows," Federal Reserve *Bulletin,* December 1966, pp. 1739-52.

FLOW OF FUNDS SUMMARY TABLES

The process of intermediation immediately implies some basic or primary flow of credit in the economy that in part passes through these institutions and raises the question as to what that basic flow might be or, more specifically, how it might be defined in an analytically useful form. The matrix itself is too general in form to show such a concept, since it puts financial intermediaries parallel to other sectors and adds up totals along the rows that include all sectors indiscriminately. This matrix form accommodates both the intermediary-type debt owed by nonfinancial sectors, particularly governments, and the marketable debt of intermediaries, such as bonds and open market paper, that are not distinguishable as debt instruments from the same types of claim owed by nonfinancial sectors.

Nevertheless, the elements needed to approximate a concept of a basic flow of credit that may or may not be intermediated can be abstracted from the matrix, and one such approximation is put together in the two credit market summary tables that appear at the beginning of most flow of funds presentations, one on the structure of borrowing in credit markets and the other on sources and forms of supply of funds to credit markets. They appear in this publication beginning on page S.4 for flows and page S.6 for outstandings. The summary tables are not directly part of the flow of funds structure, but they are useful in outlining relationships among forms of borrowing, among forms of lending between credit demand and supply, and between intermediary and direct lending in markets.

Using figures from the model matrix in Table 1, the two summary tables are illustrated together in Table 2, with borrowing in the upper

part and credit supply in the lower. Table 2 identifies the intermediation process through an institutional distinction, isolating certain groups of firms that are mainly in the business of borrowing funds for the purpose of relending and treating these groups as a channel of financial flows rather than a primary source of credit demand or supply. The primary credit flow, on the first line of the table, is thus borrowing by everyone else, that is, nonfinancial sectors, itemized by sector in the next three lines. The total of 82 is less than the matrix total of 92, on the bottom row of Table 1, by the amount of credit market borrowing by intermediaries.

TABLE 2 **MODEL CREDIT MARKET SUMMARY**
(Billions of dollars; figures from Table 1)

1.	I.	Funds raised by nonfinancial sectors	82
2.		Government	15
3.		Foreign	7
4.		Private domestic nonfinancial	60
5.	II.	Sources of credit supplied	82
6.		Government	2
7.		Foreign	1
		Financial intermediaries	
8.		Total funds advanced	70
		Sources of funds	
9.		Private domestic deposits	50
10.		Funds raised in loans and securities	10
11.		Other sources	10
		Private domestic nonfinancial sectors	
12.		Direct purchases of loans and securities (lines 5−6−7−8+10)	19
13.		Deposits in intermediaries (line 9)	50
14.		Total financial investment (lines 12+13)	69
15.		Credit sources not in line 14 (lines 6+7+11)	13

The full form of the table, beginning on page S.4 of the annual-flow set, includes the types of instruments used as well as a listing of borrowing sectors.[7] Also on page S.4 is a comparison, for households and business, between funds raised as shown on the upper part of the page and their major forms of capital expenditures that generate private credit demands. That comparison is not included in Table 2.

Part II of Table 2 is a summary structure of the sources of supply for the credit flows listed in Part I. It is more complex than Part I in that it shows supply at more than one level simultaneously—direct lending in credit markets by nonfinancial sectors and by intermediaries as well as the sources of funds to intermediaries to finance their part of the direct credit supply. The first item (line 6 in Table 2) shows lending activity by Federal Government units, federally sponsored intermediaries, and the Federal Reserve, a source of funds to credit markets that is almost entirely directed by public policy objectives such as assistance to particular credit markets and open market operations by the Federal Reserve. Foreign lending on line 7 includes foreign private funds, but in recent years it has been dominated by foreign official transactions in U.S. Government securities as a reflection of balance of payments developments. Both line 6 and line 7 are largely external influences on credit markets in that most of the amounts that appear do not reflect profit-making decisions in the narrow sense but are rather policy directed or almost automatic.

The middle section of Part II summarizes credit market lending by intermediaries, including commercial banks, and the main types of financing for that lending. In the Table 2 example intermediaries supplied credit of 70, mainly from private deposit growth but also from their own borrowing in credit markets and from other sources, such as foreign and Government deposits, insurance and pension reserve growth, and their own retained income. The several sources of intermediary funds vary greatly in relative proportions as credit conditions change, and shifts in their sources are reflected elsewhere in the table, such as in

[7] Notes to Table 1 list several types of financial claims that have been omitted from the model matrix for simplification, such as trade credit and taxes payable. These omitted forms are not part of organized credit markets and are omitted from the full form of Table 2, as on page S.4. Types of credit included in the Table 2 total are listed in the full version on page S.4 on lines 7–21.

Government lending to intermediaries and the forms of financial investment by the private nonfinancial sectors.

The bottom section of Part II, beginning line 12, integrates into the preceding picture the structure of financial investment by private domestic nonfinancial sectors—households, businesses, and State and local governments. Line 12 is their direct lending in credit markets, which consists of any of the credit flow in line 1 not supplied by Government, foreign, or intermediaries, together with credit market borrowing by intermediaries on line 10. From the viewpoint of the private sectors, this direct lending is but one of several possible forms of financial investment, with alternatives that in the model table are wrapped together as deposits, such as checking accounts, savings deposits, and negotiable certificates of deposit. These deposits, shown here as a use of funds, are the same flows that appear on line 9 in the intermediary section of the table as a source for intermediary credit supply. The distribution of private funds between direct lending and deposit flows has sizable influence, although not total control, on the flow of credit through intermediaries and thus on supply of the specialized forms of credit, such as mortgages and bank loans, that come mainly from intermediaries. Line 14 contains the total flow from the private nonfinancial groups that is distributed between direct and deposit flows. It is somewhat less than total borrowing on line 1 although closely related. The difference, on line 15, consists of direct flows from Government and foreign sources and the "other" sources of intermediary lending.[8] In recent years a major element of change in line 15 has been foreign official lending that reflects shifts in the U.S. trade balance and capital outflows in the balance of payments statements. Most movements in Government lending are reflected directly or indirectly in the private total on line 14, while intermediary "other" sources are relatively stable over the long run.

[8] Line 15 is not included in the full form of the table.

DIAGRAM OF FINANCIAL STRUCTURE

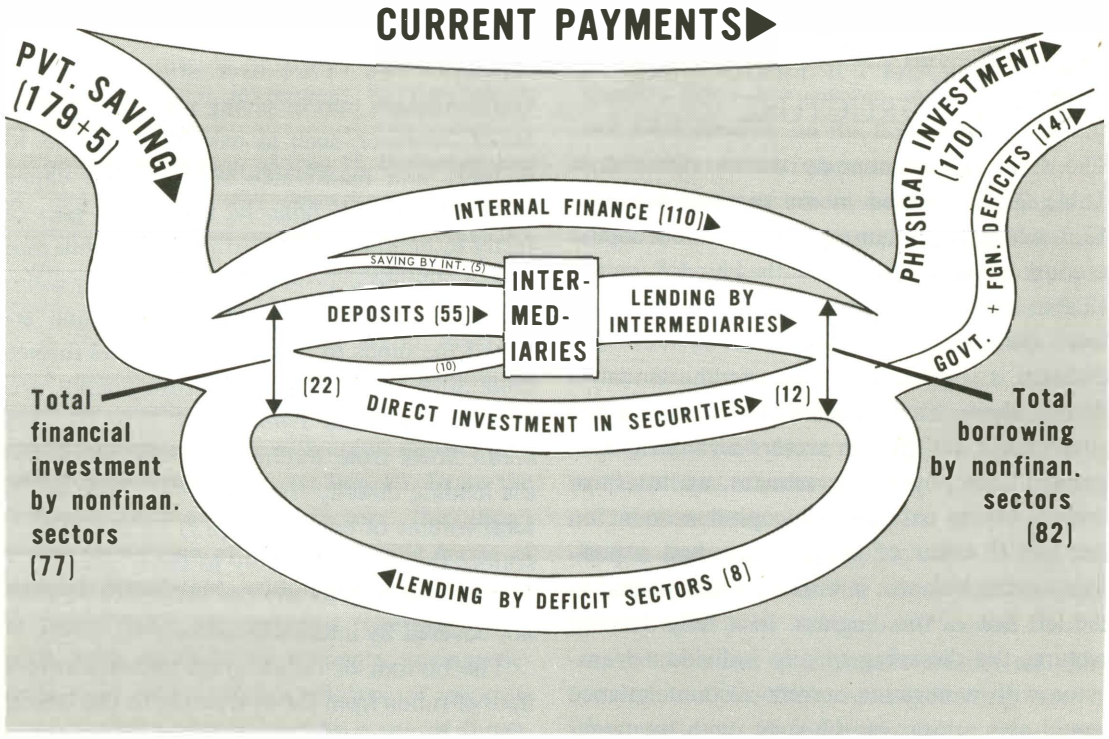
The view of the economy that is reflected in Table 2 is indicated in the diagram on page 12, which is a picture of the Nation's capital account that, again, uses the model matrix (Table 1) and that abstracts in the same way from the full complexity of the system. The diagram is specific to the data in the model in that it shows current-account deficits for the government and foreign sectors on the right, in parallel with physical investment, as "uses" of private saving entering the capital account on the left; if either of these sectors had a positive current balance, it would have appeared at the left side of the diagram. In a fully detailed picture, the dissaving of any individual transactor with a negative current-account balance would also appear on the right, with treatment of financial flows parallel to a deficit government. To simplify the diagram, all of the private domestic sectors' saving is on the left, even though the total for the sector is a net sum of savers and dissavers together.[9] The diagram takes on precision if each sector is viewed as a single person in an economy made up of only four persons, each different from the others. This primitive view can be extended easily to a more general picture with many separate units in each sector.

The diagram pictures saving entering the capital account as a diversion from the current payments stream and passing through a number of channels to finance physical investment outlays and government and foreign deficits that inject spending back into the current stream. Part of the saving goes directly into physical assets, to the extent that people buying capital goods pay for them without recourse to borrowing, and this appears as "internal finance," the excess of capital outlays (170) over private borrowing (60). Another part of saving goes into financial assets, however, such as cash and deposits for liquidity and marketable securities for capital gains. Part of this financial investment goes directly to nonfinancial borrowers (12), but most of it is put into deposit (55) and security claims on intermediaries (10), who turn around and relend the funds to nonfinancial sectors through quite different forms of credit instruments, such as mortgages and bank loans (70).[10] These credit flows from intermediaries combine with the lending directly from savers to make up the total volume of borrowing (82) by nonfinancial sectors that is used mainly to cover the deficits of dissavers and to pay for investment outlays not covered by internal finance.

The bottom of the diagram shows a reverse flow of funds from the borrowing to the lending side of the structure that is equal to the investments in financial assets made by the two deficit sectors. In the model matrix (Table 1), these two sectors have not limited their borrowing to the minimum amounts needed to cover their deficits but rather have found it worthwhile to borrow extra amounts that allow them to add some to their asset positions (8), in part perhaps for liquidity and in the government's case to help carry out lending programs for public policy purposes. These extra credits are borrowing for the purpose of relending and as such constitute a form of intermediation by nonfinancial sectors. The U.S. Government does in fact act as an intermediary to financial markets, floating its own securities to assist agriculture, small business, the home mortgage market, and other private markets, and a more complex diagram could show that activity explicitly. The more general point, however, is that quasi-intermediation occurs in many forms in nonfinancial sectors, that all forms of it create reverse flows in the diagram, and that they add

[9] Saving in the diagram is the total for private sectors, including intermediaries. Intermediary saving is an internal source of funds for lending in the diagram.

[10] Intermediaries use their own retained incomes (5) to lend somewhat more than they borrow.



an extra element to the relation between the total flow of credit as defined in the diagram and the associated totals of saving and investment.

Typically, this kind of intermediation is difficult to identify, as illustrated by taking the private domestic nonfinancial sector in the diagram to be a single individual. Even though this person's saving (179) was greater than his capital outlays (170), he chose to put a substantial amount into financial investments (69) and then to borrow some of these funds again on the other side of the market in different forms (60). This is normal and reasonable behavior, since the combination of assets and liabilities he now has suits his short-term and long-term needs better than lower totals of both assets and liabilities. However, it raises the question as to whether he borrowed to invest in physical or in financial assets, and the answer is that he borrowed for the two purposes jointly in unidentifiable and even undefinable proportions. Only in special cases, such as the two deficit sectors in this model or a borrowing total that is larger than total investment outlays, can such intermediation be even partially measured.

This discussion illustrates the ambiguities in the concept of intermediation and thus in the concept of a basic or primary flow of credit that is to some extent intermediated. Intermediation can nevertheless still be a useful construct for analysis when it is given an institutional sense that is based on the characteristics of a set of financial businesses, including the legal constraints on their operations, their typical practices as borrowers and lenders, and their flexibility in changing economic conditions. Isolating financial institutions as an intermediary group brings out on a broad basis the division of financial flows between those that enter this area of specialized and constrained lending operations and those that are available only in more broadly marketable instruments. It is this institutional foundation for analysis that underlies Table 2. As applied to nonfinancial sectors, the concept

of intermediation is too ambiguous to be useful, and it is well replaced by the integrated balance sheet view of physical investment, financial investment, and borrowing that is implicit in this discussion.

In comparison with the actual accounts as published, the diagram is primitive although accurate as far as it goes. In both the model matrix and the diagram, credit flows are limited to the main-stem group of financial claims that are handled in organized credit markets, such as securities, mortgages, consumer credit, and bank loans, and that in flow of funds publications are labeled credit market instruments. It is this central group of claims that is the focus of the summary tables in publications as well as in the model used for this discussion. A glance at the full matrix on page 1 shows that the financial structure as a whole includes a variety of other claims, such as gold, foreign exchange, trade credit, and equities in noncorporate business. These are more specialized instruments that are also part of the financing of the economy and that appear in the accounts where appropriate, but for summary purposes they are treated as outside the credit markets proper. The diagram is also primitive in that it cannot easily show negative financial flows, such as debt repayment or reductions in asset holdings, and because it ignores the layers of intermediation that exist among financial firms, such as bank loans to security dealers and insurance company purchases of finance company bonds.

The purpose of the diagram is only to illustrate in broad outline the relation between saving and investment on the one hand and the aggregates of borrowing and intermediation shown in Table 2 on the other. The financial markets absorb part of saving and supply part of the funds for spending, but the total volume of credit flows as defined here has no necessary relation, dollar for dollar, either with saving or with investment because of the opportunities for internal finance and for borrowing to carry financial assets that are suggested by the diagram. The effects of restricting or expanding credit flows are thus not necessarily or immediately on saving and investment but rather tend to be diffused throughout the system inside and outside financial markets. Such relations as exist between credit flows and nonfinancial activity must be found analytically and empirically, with credit seen both as borrowing by nonfinancial sectors and as lending by those same sectors.

HISTORICAL RELATIONSHIPS

Examples of the empirical relationships that exist in the data at the broadest level are illustrated in the charts on the following pages. Some of these relations are close, but the conclusions to be drawn from them must be based on analysis of the economic system as a whole. With credit flows dependent on borrowers' demands for financial assets as well as their nonfinancial outlays, the problem of identifying supply and demand separately is more complex for financial markets than for many other areas of analysis, and useful solutions to the problem are still to be worked out.

The charts start, somewhat arbitrarily, at the point of household and business borrowing, proceed to the total borrowing by nonfinancial sectors that is pictured in the diagram, connect that total to private financial investment, and summarize the results of these flows in terms of amounts of debts and assets outstanding.

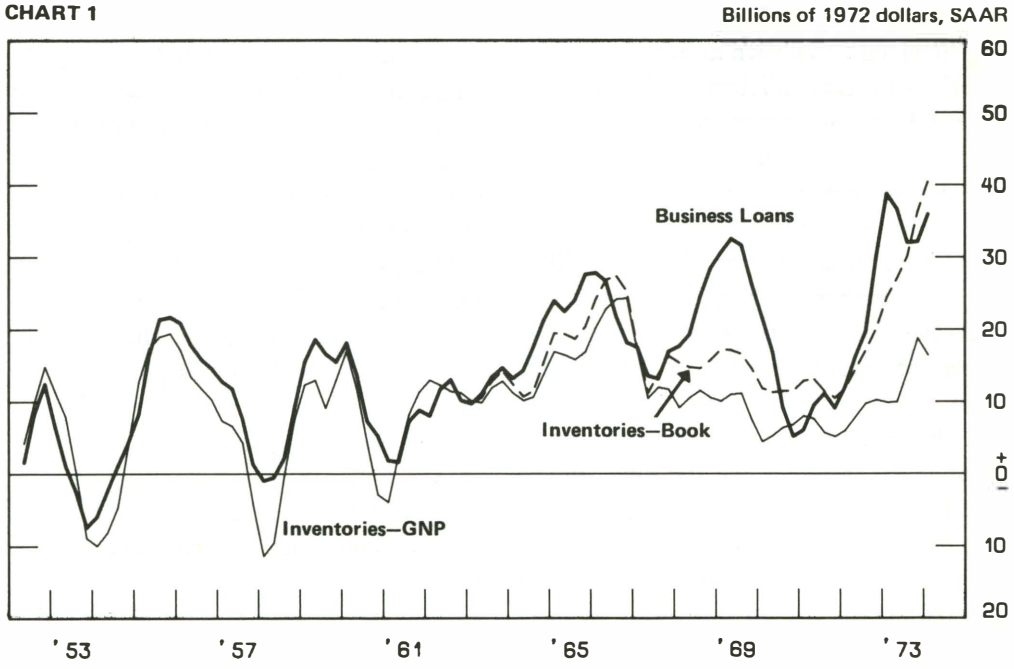
Statistical relations of the charts to flow of funds table presentations are listed in the Notes to charts, which reference the few tables included at the back of this publication. Except for matrices and two summary tables discussed earlier, only such additional tables are included as are reflected in the charts.[11] Before being charted, all of the data used were deflated by a compound index of prices and the 1952–73

[11] The tables carry annual data for a few years only. They are taken from the "Flow of Funds—1974 Supplement."

trend of gross national product in order to highlight cyclical relationships apart from the strong growth trends over the period in most of the data. A single deflator was used for all of the time series, and a rising trend in any of the plotted series indicates a rate of growth faster than the trend of GNP, although not necessarily faster than GNP growth in any short period. A series with a falling trend is not necessarily decreasing in actual dollar amounts; it may be only increasing at a slower rate than the GNP trend. The deflator itself is presented and described in the Notes to charts; it is not directly part of the accounts, which show only current-dollar quantities.

Charts 1 and 2 illustrate the associations that have existed between short- and long-term borrowing in credit markets by business and households and their spending for capital goods. Capital expenditures here cover all private domestic investment in the national income accounts except capital outlays by financial sectors, and they also include purchases of consumer durables, which are consumption spending in NIA. Chart 1 illustrates that net changes in short-term business credit were closely related to net inventory movements, on almost a dollar-for-dollar basis, for a long stretch of years through the 1950's and the first half of the 1960's. Since 1966 the relationship has become very much weaker, mainly because of the more diversified use of bank loans and open market paper as substitutes for or interim financing of longer-term requirements, particularly during the tight-credit periods of 1969–70 and 1973. Later charts in this set show changes in the mid-1960's in trends of total outstanding private debt and assets, and the more complex behavior of short-term credit in the years after 1965 is part of a more mature private debt structure than had existed in the 1950's. The 1969 spurt of short-term loan credit was followed by low volumes in 1970 and 1971, when many of the loans were funded by longer-term financing, but beginning in 1972 short-term credit started to show another strong growth tendency as the economy picked up speed after the 1970–71 pause. With the higher inflation rates that appeared in 1973 book values of inventories started rising much faster than the

CHART 1



national-income measure of inventories, which is adjusted to exclude price-change effects, and in the last year of the chart the relation of short-term credit is much closer to book values than to the inventory-change component of GNP. Before 1973 there was not enough difference between book and GNP inventory movements to distinguish between them statistically in their relation to short-term credit movements.

Chart 2 illustrates a similar pairing of longer-term private investment and credit, which in this chart is a mixed collection of corporate bonds, mortgages, and consumer credit.[12] In the early years of the chart the high rate of investment relative to credit was primarily in residential construction, with households investing a larger part of equity funds in new homes (and borrowing less of the purchase cost) than in later years. Beginning in 1970, on the other hand, credit flows moved ahead of investment, at first to fund the high short-term borrowing of 1969–70 that appears in Chart 1 and later to take advantage of the expanded credit supply available through 1972. Both business and household borrowing were unusually high after 1971 relative to net investment spending.

Chart 3 combines the data from Charts 1 and 2 and illustrates the extent to which movements in private capital outlays have been a dominant component of GNP fluctuations. The two vertical scales in Chart 3 have the same dollar gradient even though their absolute values are very different, and only during the Vietnam period of the later 1960's are the movements in GNP substantially larger than in the investment series. Total private borrowing has almost the same volatility as net investment and thus is almost as closely related to GNP fluctuations.[13]

[12] Investment appears in Charts 2 and 3 net of depreciation charges, which are measured primarily on an historical-cost basis. The investment is thus the amount that in conventional accounting would appear to require financing from external funds or from net saving of the investor.

[13] A common practice in current analysis is to measure either investment or net borrowing as a percentage of GNP. The relationship illustrated in the chart—that is, roughly equivalent amplitudes on very different base levels—produces volatile percentage movements relative to GNP that have some usefulness as sensitive indicators of cyclical movements. The chart suggests, however, that the movements in percentages are somewhat beside the point and that comparisons of absolute movements indicate more directly regular and irregular cyclical developments.

CHART 2

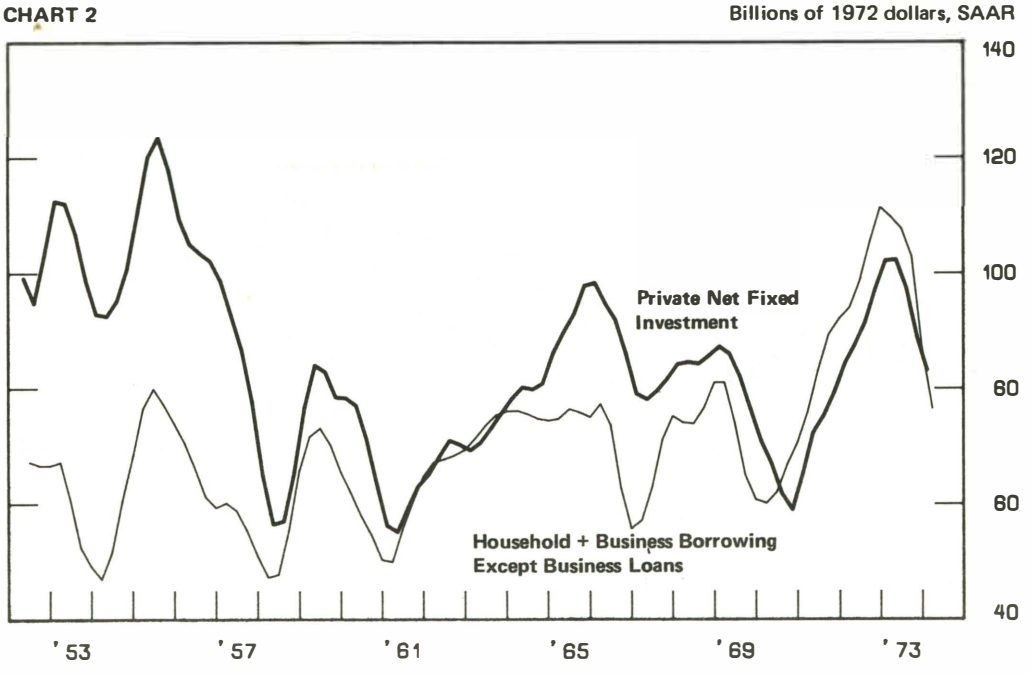


Chart 4 completes the structure of borrowing by adding to the business and household components net funds raised by foreign borrowers, State and local governments, and the U.S. Government. U.S. Government net borrowing is much the most volatile of these other elements and is the source of most of the changes in differences between the private and total series. In general its effect has been to shift peaks and troughs into an earlier quarter, making total

CHART 3

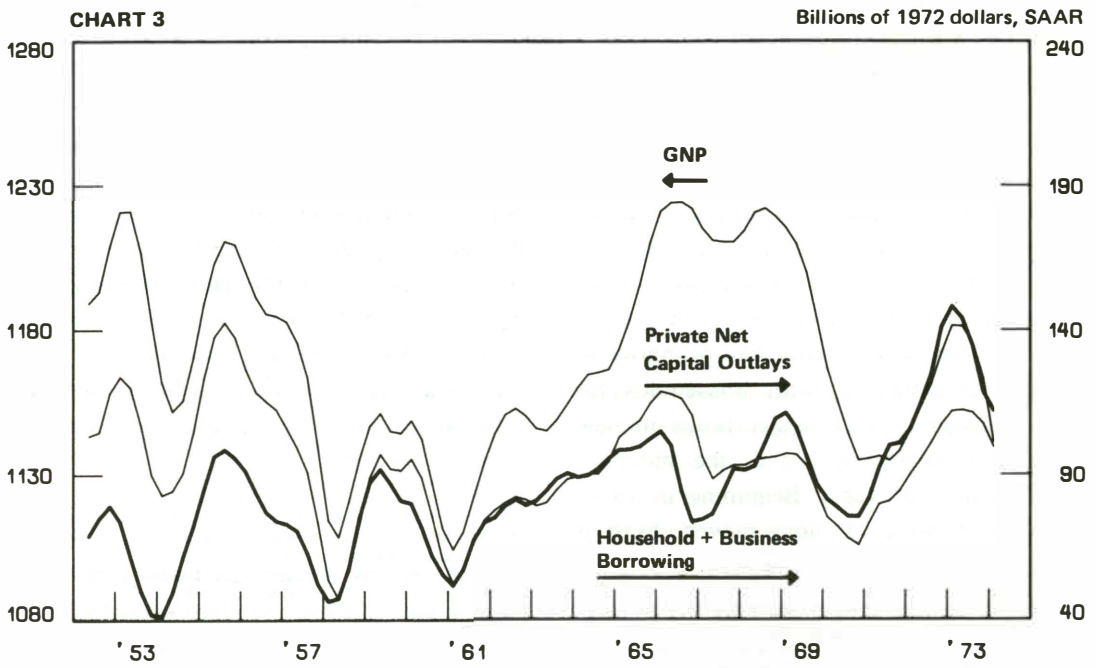
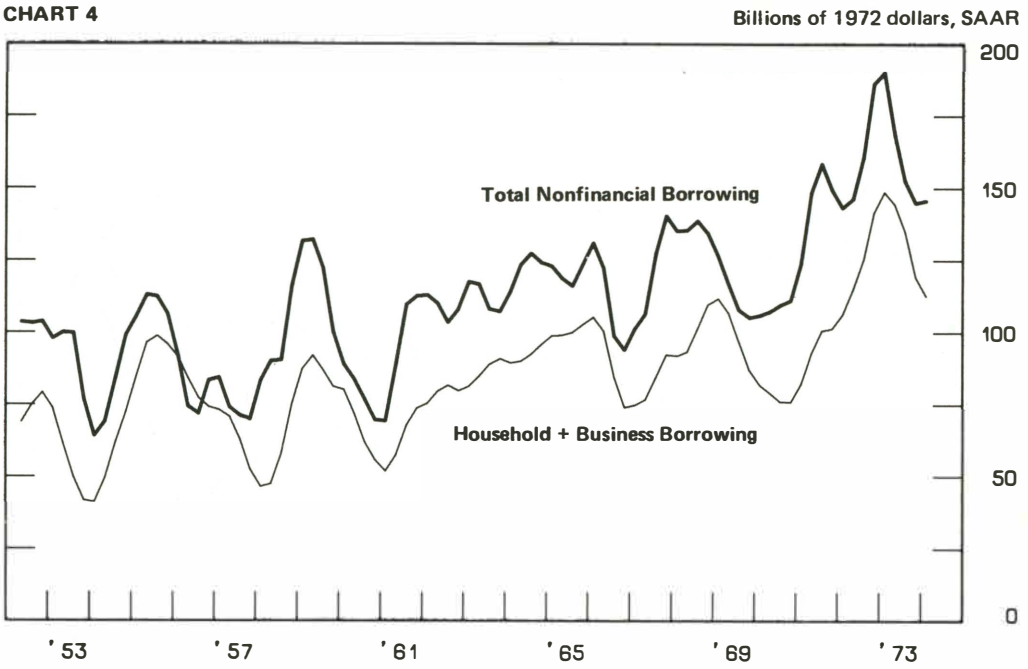


CHART 4



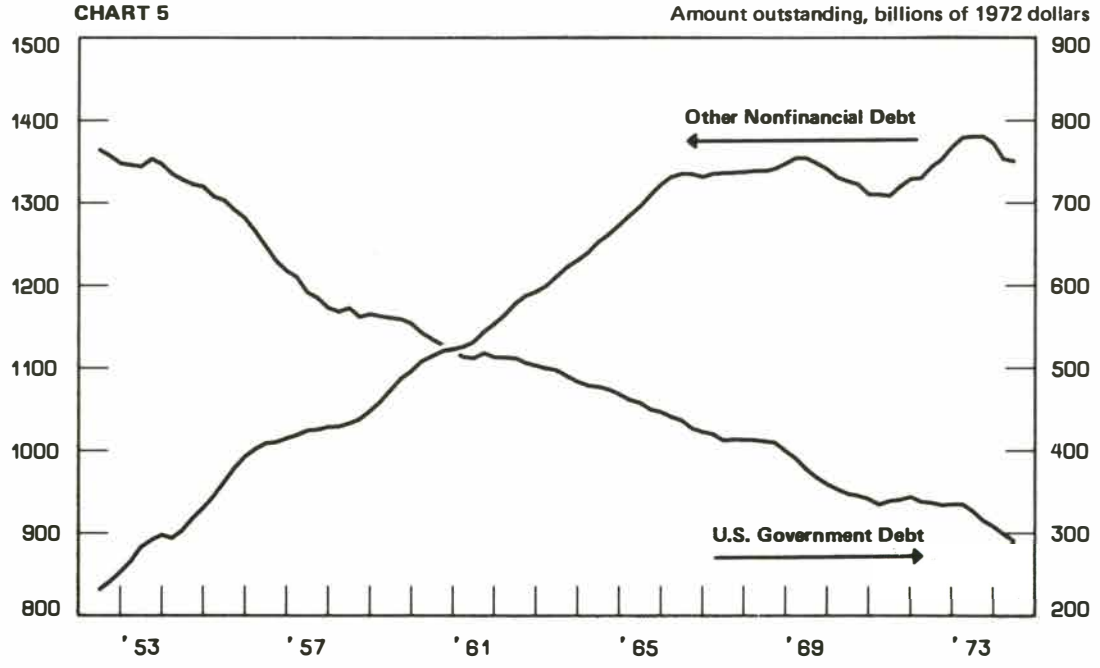
borrowing a slightly leading series at GNP turning points.[14] State and local governments have a hybrid position in the economy and hence in the social accounts—as governments the group is attributed no physical investment outlays in income and product data, but these units are nevertheless independent decision-makers that base their financial planning on much the same market considerations as households and businesses and in this respect are part of the "private" segment of credit markets. Although borrowing by State and local governments is excluded from the private totals in Charts 1 through 4 that are related to physical investment, investment by them in financial assets is included with other private financial investment in later charts on supply of funds to credit markets.

[14] Turning-point relationships among series are affected by the deflation of the data that was described earlier. With undeflated data, the leading characteristic of total borrowing is more pronounced, because adding growth trends to the data shifts peaks in GNP farther into later quarters than peaks in borrowing. The reason is that GNP is a proportionately more stable quantity than net credit flows and has a relatively larger trend component.

Charts 5 and 6 indicate the cumulative effect on debt outstanding that has resulted from the structure of borrowing since 1952 that appears in preceding charts. Within a total debt owed by nonfinancial sectors that has risen only slightly in relation to GNP, there has been a major shift from public to private liabilities outstanding, with U.S. Government debt shrinking from 50 per cent of the total in 1952 to 18 per cent at the end of 1973.[15] The explanation for the shift lies in a combination of circumstances—the legacy still remaining from depression and war at the beginning of the period in the form of high public (and low private)

[15] Deflating flows and levels by a single index of growth and prices for the charts creates a special relation between the deflated figures for net borrowing and changes in debt outstanding. If the deflator increases 5 per cent a year, borrowing must equal 5 per cent of outstanding debt merely to keep deflated debt constant. A borrowing rate of more than 5 per cent will raise the debt level, but if less than 5 per cent, deflated debt goes down even with positive borrowing. In the data used for the charts, average growth in the deflator was 6.7 per cent per year, 1952 to 1973, whereas U.S. Government debt was growing in absolute terms at a 2.3 per cent rate that by deflation was converted to a 4.1 per cent rate of decrease. Private debt, on the other hand, was growing at a 9.1 per cent annual rate, well above the deflator. These figures exclude corporate equity issues from both debt and borrowing.

CHART 5



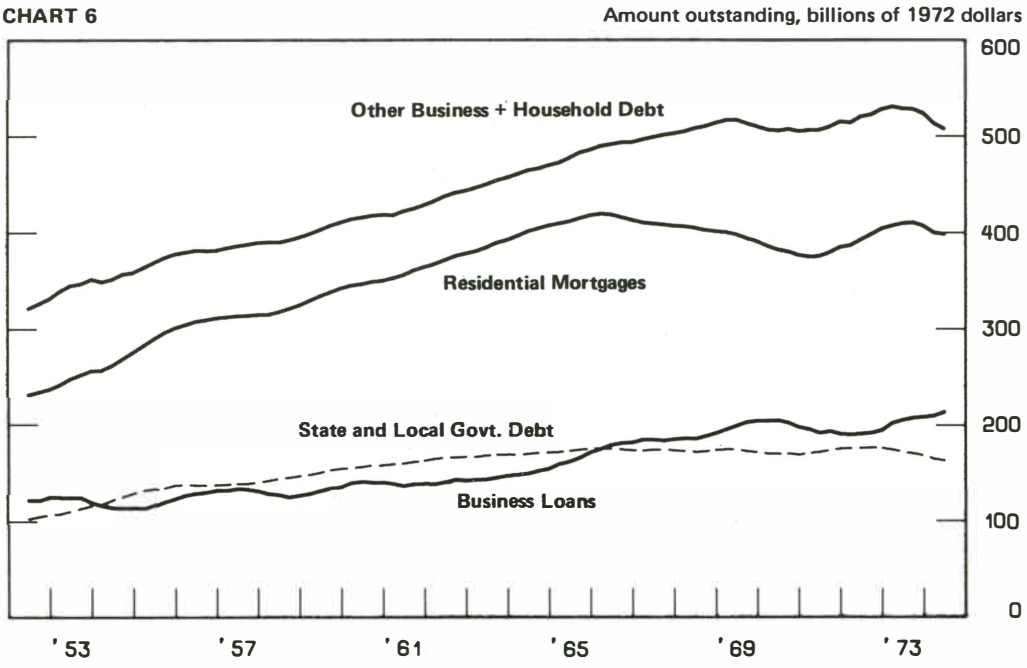
debt, the strength of private investment demand stemming partly from the same cause and tending to generate private debt, and the favorable Government budget position that reflected strong private demand for goods and services.

The resulting trends in debt composition are strong but cannot be expected to continue indefinitely. Arithmetically, the ratio of debt outstanding to GNP trends, broadly, to approach an asymptotic level that is determined by a trend ratio of net borrowing to GNP. If, then, there is any stability over many years in the borrowing ratio to GNP the growth rate in private debt can be expected to slow gradually as it approaches the limiting level set by borrowing rates. The slowdown in the private debt growth rate after 1965 is more marked than this arithmetic would suggest, however, and indicates a change in environment from the earlier years. The increasing concern that has been expressed in recent years about the volume of private debt outstanding, particularly for certain types of marginal borrowers, and the increasing problems of financing in some markets are symptoms that postwar private borrowing rates may be higher than markets are prepared to accept indefinitely. The implication is that if capital formation is to be maintained at the general rates of roughly the last two decades, financing may have to shift away from the heavy reliance on debt that we have seen toward a larger use of either internal or external equity funds. The broad totals in the charts are only suggestive of this, however, and it might take another 5 years or more to extract such a shift in trend out of the volatile short-term data.

Chart 6 divides private debt into four major types, including State and local government securities. All of these forms were growing relative to GNP trends until the mid-1960's, but since then the growth has been predominantly in business debt, with a tendency toward larger cyclical swings away from trend than earlier. Both residential and State and local government debt appear to have reached a stability in relation to activity that they had not had before 1965.

Charts 7 through 12 shift to the supply side of credit markets and summarize aspects of private nonfinancial sectors as lenders rather than as borrowers. As illustrated in the diagram

CHART 6



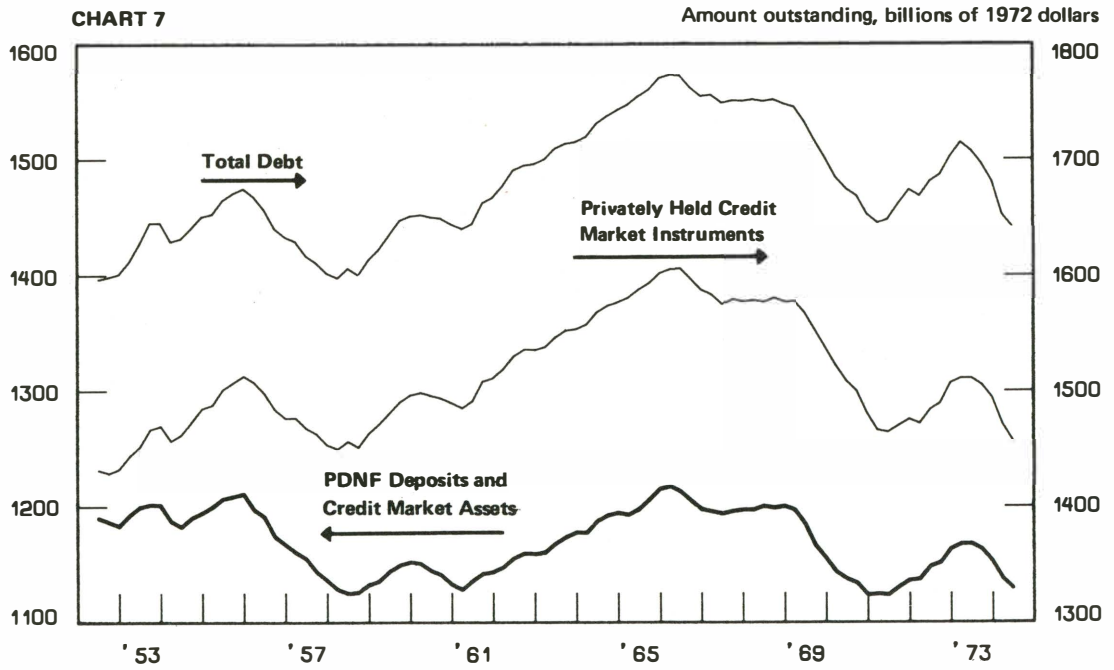
on pages 11–13 and in Table 2, most of the total borrowing by nonfinancial sectors that appears in Chart 4 has a counterpart in financial asset accumulation by private domestic nonfinancial sectors, either directly through security purchases in markets, or indirectly through investment in deposits or other claims on intermediaries that are lending directly in markets. In amounts outstanding the relationship appears in Chart 7, where the top line is total debt of nonfinancial sectors—the sum of the two lines in Chart 5—the middle line is holdings of such debt by private domestic sectors including intermediaries, and the bottom line is deposits and security holdings by households, nonfinancial business, and State and local governments.[16] In terms of the model Table 2 on page 9, these are respectively item 5, items 8 plus 12, and item 14. The gap between total debt and the middle line consists of federally related and foreign direct holdings, and the 1971 increase in that gap reflects mainly the large increase that year in foreign official holdings of U.S. Government securities. The gap between the middle and bottom lines consists of net holdings by intermediaries financed by sources other than private domestic deposits and securities, mainly insurance and pension reserves, Federal and foreign deposits, and the equity funds of intermediaries. The changes over 1969–71 in that gap are mainly the build-up of foreign funds in commercial banks in 1969 and their subsequent run-off.

Chart 8 illustrates the marked shift over two decades in the position of financial assets and debt in the private economy. This shift combines the close relation in Chart 7 between private assets and total debt, both of which have had little trend over the last 20 years relative to activity, with the shift in Chart 5 from Federal to private debt outstanding.[17] To an increasing

[16] Insurance and pension reserves appear as assets of households in the total accounting structure and on that basis could be included in the bottom line as assets of the nonfinancial group. Such reserves are, however, more remote from day-to-day investment decisions of households than their deposit and security portfolios and on that basis are set aside in summary tables and in these charts as a separate financial relationship in the system.

[17] The small foreign debt component in Chart 5 is omitted from the debt total in Chart 8.

CHART 7

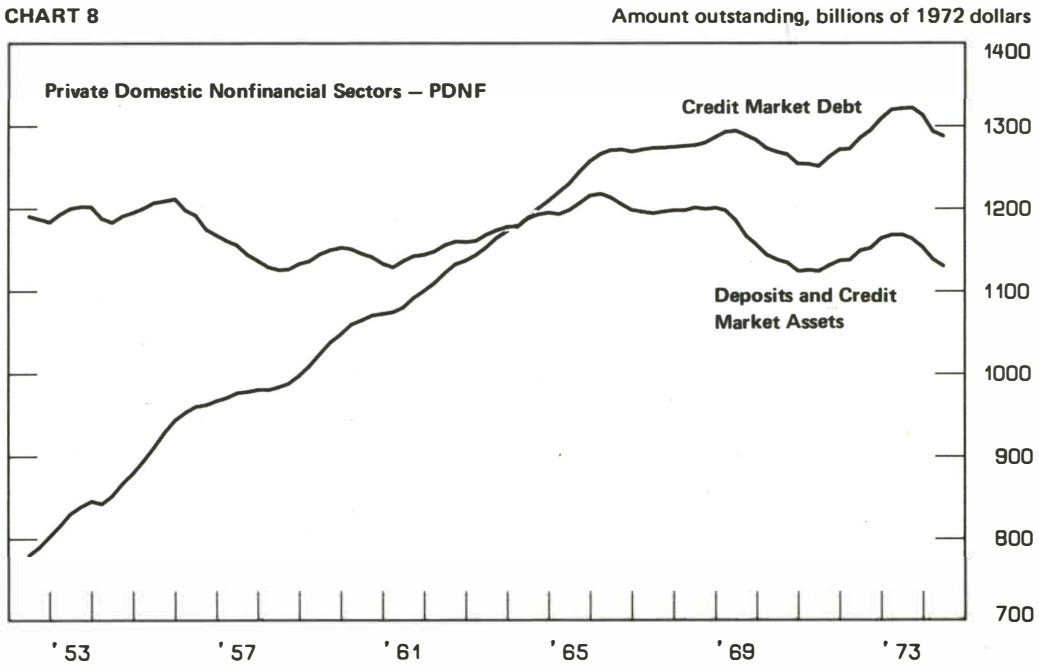


extent since the late 1940's, the financial assets that private investors hold have come to be based directly or indirectly on claims owed by themselves rather than by others.

Paralleling this change in assets and debt structure has been a sizable increase in the degree of intermediation in financial markets. Private sectors as borrowers must look mainly to financial institutions for mortgages, consumer credit, and business loans, all of which are usually too specialized and too small in individual loan size to be broadly marketable; and even for their marketable debt, such as municipal and corporate bonds, the purchasers are heavily institutional. As their debts have grown, private sectors as lenders also have turned increasingly to institutional deposits as an investment alternative to the diminishing supply of Federal securities outstanding. Over the period covered in the charts, institutional holdings of credit instruments increased from 68 per cent of the total held privately—the middle line of Chart 7—to 87 per cent at the end of 1973. Most of this growth was financed by the shift in private investment away from direct market instruments and toward deposits in intermediaries, which increased from 59 per cent of private portfolios—the bottom line of Chart 7—to 72 per cent in 1973.

That shift in private investment is broadly indicated in Chart 9, which divides the private asset total in Chart 8 (and Chart 7) into deposit and credit instrument components. The two components have been rather more volatile over short-run periods than their total was, reflecting the sizable short-run changes over time in yield relationships between deposits and market instruments. Interest rates on most deposits have been much more stable cyclically than market rates, partly because of regulatory ceilings on deposit rates that have restrained those rates from following market rates upward in tight credit conditions. In the sequence of tight financial conditions covered by the chart —principally 1959, 1966, and 1969—high rates on market instruments attracted increas-

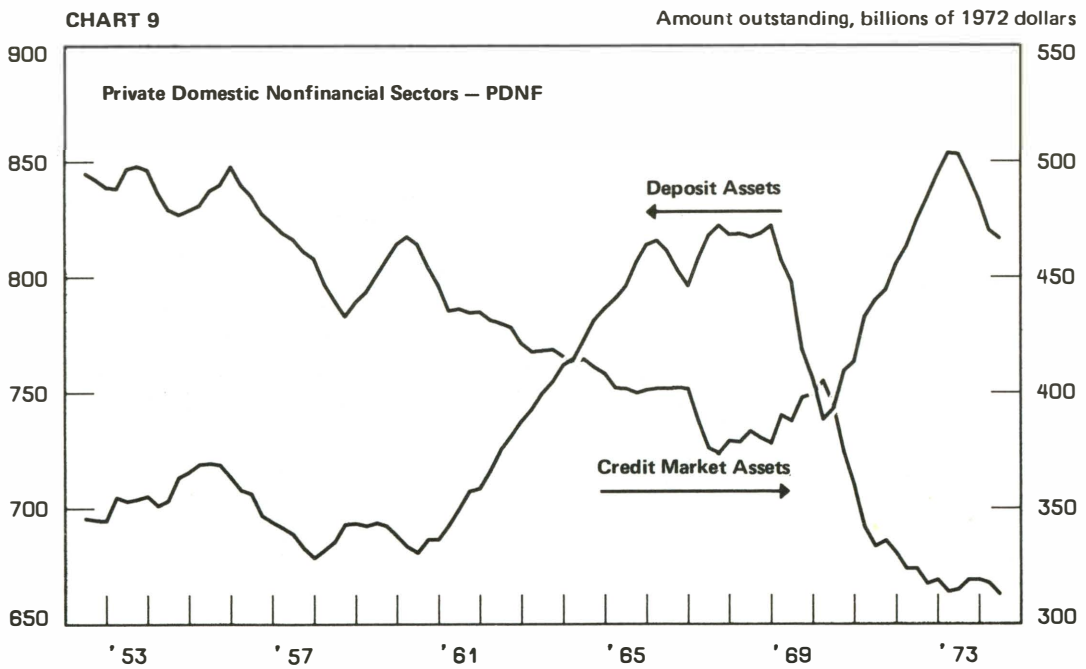
CHART 8



ing amounts of funds out of institutions and into direct investment, partly because of increasing yield spreads and partly from increasing investor sensitivity to those spreads. Some of the deposit growth in the first half of the 1960's represented the development of large negotiable certificates of deposit by commercial banks, which introduced the CD's as money market instruments to attract funds from large investors such as major corporations, which had been holding liquidity mainly in Treasury bills. With the diminishing position of Treasury debt in the market, the CD became a major investment medium and an important conduit for transmitting liquidity holdings into bank credit for the growing volume of private debt.

The effect of rate ceilings on deposits was most extreme in 1969, as Chart 9 indicates, when CD's in particular fell from $23 billion at the beginning of the year to $9 billion at year-end (in actual dollars). Following that episode ceilings were lifted on CD rates, and in the 1973 tight-credit period the effect of yield spreads was much more moderate than in 1969. As of 1973 the development of CD's as an open money market instrument, together with bank facilities for borrowing directly in commercial paper, Euro-currency, and bond markets, had done much to diversify the nature of bank intermediation and to diminish the significance of a distinction between deposit and direct market investments in financial market analysis.

The nature of deposits was also changed by the introduction of consumer-type CD's by both banks and savings institutions. These are nonnegotiable deposits with specified maturity dates that can be withdrawn before maturity only at a substantial cost in yield. By the end of 1973 almost half of savings institution deposits were of this dated form, and the penalties of converting these to market instruments have reduced further the sensitivity of deposit flows to market instruments. At the end of the period covered by the chart, therefore, deposit-security relationships in private portfolios had



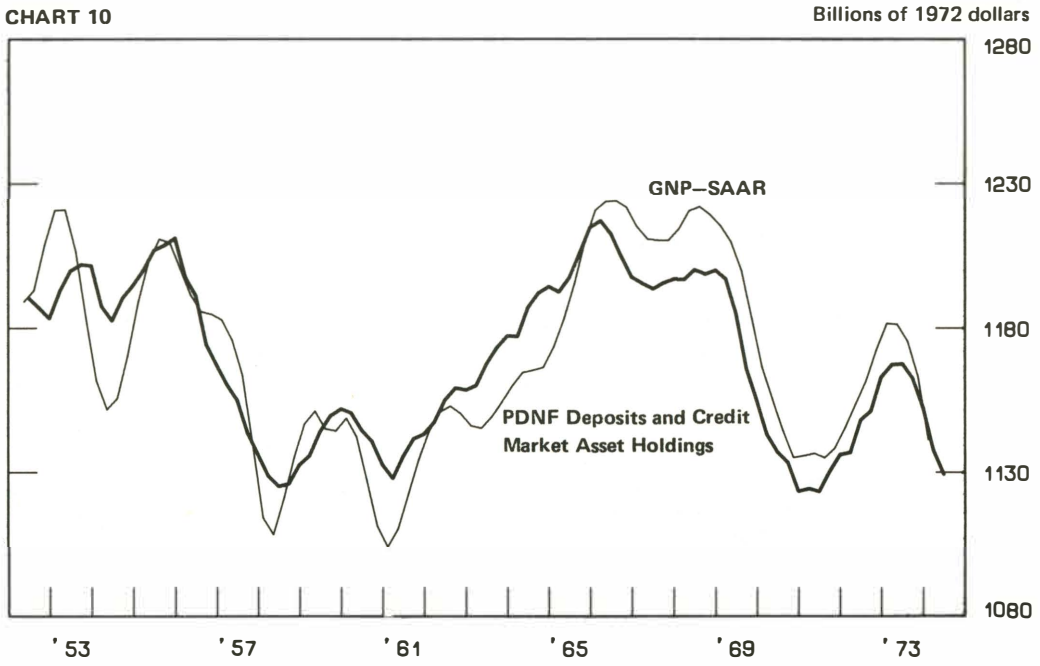
become more complex than in earlier years, both in their connection to yield structures and in their meaning for the extent of intermediation.

Chart 10 combines again the deposits and credit instruments from Chart 9 to compare the total holding—the same total that is in Chart 7 and Chart 8—with GNP. In spite of the shifts in composition of total assets, the relationship to GNP is unusually close over most of the chart in both movement and—in what is presumably only a coincidence—absolute value. The asset total tends to have somewhat smaller cyclical movements than GNP, and after 1965, when private debt growth started to slow, assets have been slightly lower relative to GNP than in earlier years. These differences are small compared to the total relation, however, and within the span of years covered no significant drifts in trend are apparent. The relation is closer than that between GNP and debt totals, with the differences absorbed in connective elements of credit supply, such as Government, foreign, and miscellaneous intermediary sources of supply, that constitute the gaps between the three lines in Chart 7.

This connection between private financial assets and activity is, like the rest of the material in the charts, an empirical "black box" in that it neither supports nor is explained by any broadly accepted analytical system. Without analytic support there is no basis for predicting that it will or will not continue into other economic circumstances such as chronically higher inflation rates or slower economic growth rates. The persistence of the relation on a quarterly basis nevertheless suggests a relation between activity and financial structure that may be a macroeconomic constraint of importance both to forecasting and to policy.

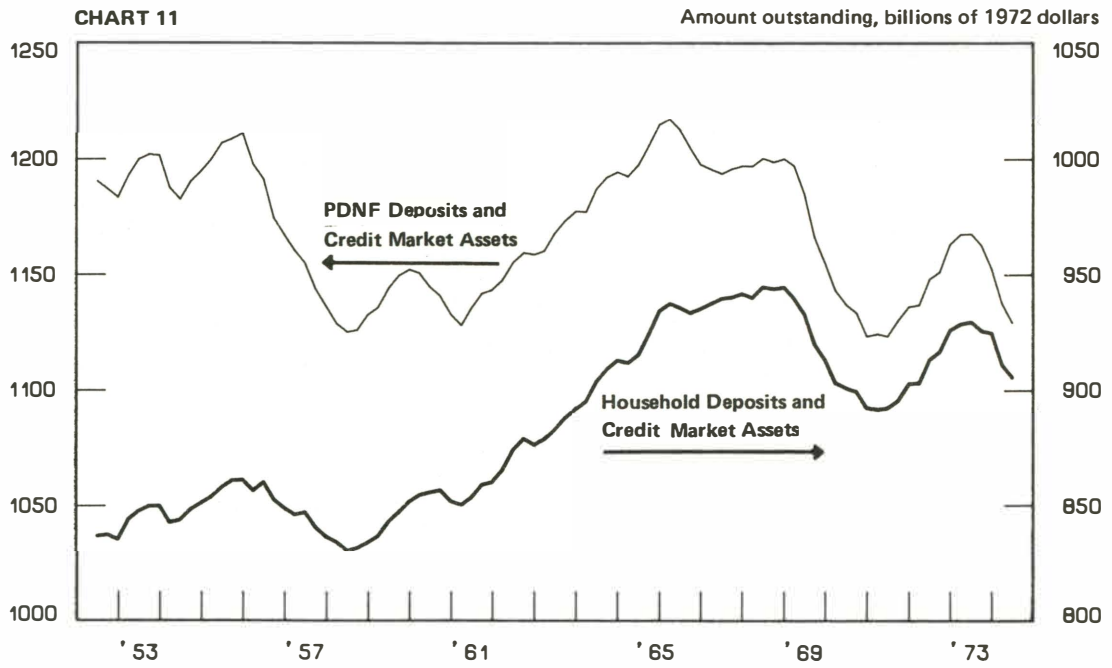
Chart 11 breaks out the household component of private assets to illustrate that within the total there has been drift in sector distribution of holdings. Over the period of the chart the household share increased from 71 per cent of the total to 80 per cent, with an offsetting

CHART 10



decrease, from 21 to 12 per cent, in holdings by nonfinancial business—mainly business liquid assets. State and local government holdings stayed at about 8 per cent of the total over the period, even with the steadily rising importance of these governments in total activity. Statistically, the total is more reliable than its parts, particularly the distribution between household and business assets, and the shift may be weaker than source data suggest. For corporations, however, a drop in liquid asset position from the early 1950's is fairly well supported, and there is little question that over 20 years they have held diminishing amounts of a total that has stayed almost constant relative to GNP.

Chart 12, finally, introduces corporate equity holdings to the picture. The preceding charts have focused on debt instruments, both as liabilities and as assets, and it is for this total of claims that the relationships have appeared. Equities have a separate position in the financial system in that as liabilities they are only residual claims and, in a legal sense at least, are not burdens on issuers. In the flow tables net new stock issues appear as external sources of funds to business and as net financial uses of funds by investors. In tables on outstanding assets and liabilities, however, they appear only as assets valued by market prices, and no specific liability for them is attributed to issuers. While corporate equity net flows are a small component of household financial investment, holdings valued at market are a major part of household assets, as large as all deposits and debt securities over the general period of the chart. Chart 12 shows that such holdings, because they reflect movements in stock market prices, are also far more volatile in amount than other financial assets. There is a mild correlation over the period between the two quantities, a correlation that is obscured by the compressed vertical scale of Chart 12 that is needed to cover stock value movements. In the deflated dollars of the chart equity values have moved by roughly $7 for each $1 change



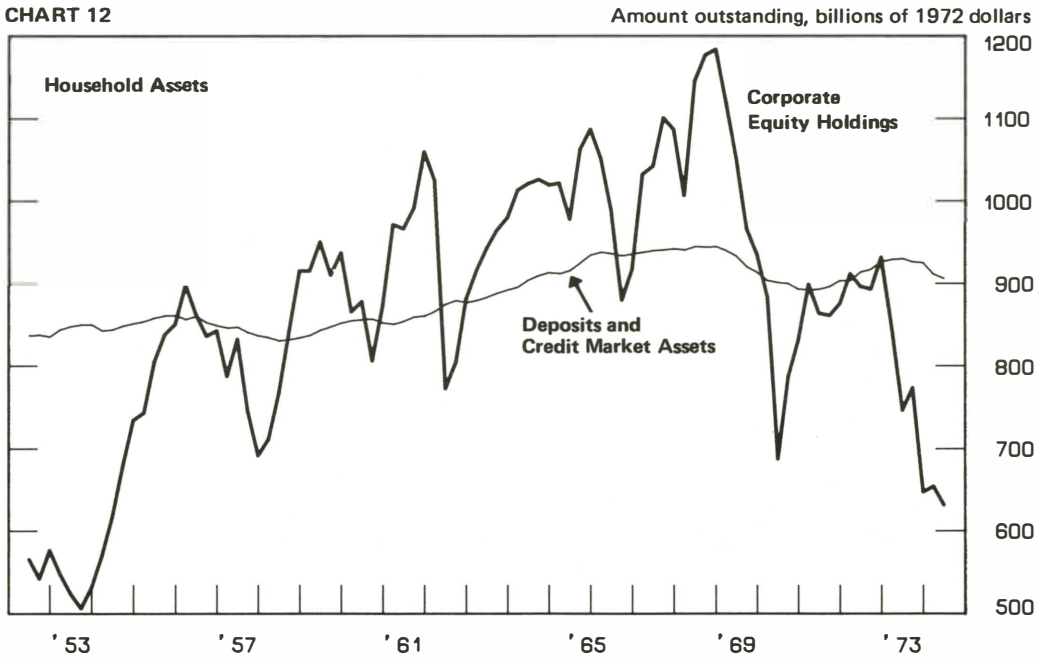
in holdings of deposits and credit instruments, neglecting the many short-term perturbations in the equity series and some irregularities in the timing of movements. There may be interaction between the two totals that is exaggerated for equity values because of the lack of net flows of new issues, but to some extent both series are probably also responding in parallel to other conditions in the economy.

The shift in credit structure from directly held central government debt to intermediated private debt, which is a dominant feature of the charts, is put into another perspective in Table 3. This table pulls together, again in detrended and deflated dollars, a set of claims on the U.S. Government and closely related institutions as a proxy for a total of basic reserve assets that are available for private investment, and it indicates the changes in holdings of these assets over the 20 years shown in the charts. The set of claims is broader than Government debt in Chart 5 in that it includes reserve money and also the debt of federally sponsored credit agencies, which have played a greatly expanded role in recent years as Government-related intermediaries, lending housing and farm credit on the basis of public issues of their own debt.[18]

The total of these reserve assets, although sharply diminished from earlier years, continued to be held in roughly equal parts by financial institutions and private nonfinancial investors, with a small third component held abroad. Nonfinancial sectors have offset their drop in official claims through an increase in deposits at institutions (line 12 of the table) of a nearly equal amount, and the total of the two types of assets was virtually unchanged over 20 years. These claims also constituted most of their total deposits and securities (line 13) during the period. For financial institutions, the substitution was of a quite different type, namely the build-up of private loans and securities that constituted most of the growth in

[18] The total is also a little narrower than in Chart 5 in that it omits Government debt held by the Federal Reserve.

CHART 12



private debt that appears in Chart 5 and Chart 8. By the end of the period private finance was thus playing an increasingly central role in intermediating between nonfinancial sectors as investors and between the same sectors as borrowers, with central government much diminished as a source of safe or liquid claims for either group.

One of the effects of this increasing exposure of private finance in credit markets has been the burgeoning of the federally sponsored credit agencies mentioned earlier. Although operating in specialized credit markets—mainly housing and farm credit—their component of the Government debt on line 5 of Table 3 grew from $7 billion in 1952 to $60 billion at the end of 1973 (in the deflated dollars of the table) to finance an almost equal increase in their holdings of private credit. If private debt continues in the future to push up relative to activity, these agencies will probably absorb a rapidly increasing share of the total growth with support from a variety of Government guarantee programs for private credit. Direct lending and loan guarantee operations by the Government have focused on particular kinds of credit that have been in difficulty and are seen mainly as a method by which the Government can help those specific loan markets to compete against other kinds of demand. While the agencies appear sometimes to be "draining" loanable funds from private markets and creating credit tightness that wouldn't otherwise exist, it is important to see also their function in supplying to the economy an investment and liquidity instrument—in the form of their own debt—of a kind that is becoming increasingly scarce.

This review of the historical data has not tried to explain analytically the cycles and trends of postwar financial developments or to point up trends with alarm. Its purpose has been rather to illustrate certain main connections within the flow of funds accounts among lending, borrowing, balance sheet positions, and nonfinancial activities—connections that are close over the period covered and that

TABLE 3 **PRIVATE CLAIMS ON U.S. GOVERNMENT INSTITUTIONS**
(Amounts outstanding at year-end in billions of 1972 dollars, trend removed)

Item	1952	1960	1973
1. Total claims, by type	844	586	384
2. Currency in circulation	103	73	63
3. Member bank reserves	68	38	24
4. Foreign deposits at F.R. Banks	2	*	*
5. U.S. Govt. securities held outside F.R. System	671	475	297
6. Holdings, by sector group	844	586	384
7. Financial business	417	265	159
8. Foreign (including official)	16	24	48
9. Private domestic nonfinancial	412	296	177
10. Currency outside banks[1]	94	65	54
11. U.S. Govt. securities	318	231	123
12. Memo: Private domestic nonfinancial sector deposits at financial institutions	601	621	780
13. Total private money, deposits, and credit instruments	1,183	1,133	1,153
14. Financial business total holdings of reserves and credit instruments	1,050	1,142	1,333

* Less than $500 million.

[1] Includes unknown amounts held by other sectors, mainly foreign.

NOTE.—Details may not add to totals because of rounding. Values of deflator appear in Notes to charts (page 26).

NOTES TO CHARTS

All data in Charts 1 through 12 have been deflated by a single compound index (1972 = 100) that is the product of (1) the U.S. noninstitutional population 16 years of age and over, (2) the GNP price deflator, and (3) an exponential growth trend in deflated GNP per capita found by least-squares regression to be 2.2 per cent per year for the period 1952–73. After deflation, all flow data are plotted as centered two-quarter moving averages (three quarters weighted 1-2-1), with I/52 omitted from the charts. Assets and liabilities outstanding are deflated by the same index, but before deflation the data on levels outstanding were processed to eliminate the many discontinuities that occur in time series on levels outstanding because of changes in coverage in basic statistical sources. To make the levels continuous, the 1973 year-end levels were taken as a base and incremented back to I/52 by the seasonally adjusted quarterly flows. Corporate stocks are omitted from all data in the charts both as assets and as liabilities except in Chart 12.

Data for the charts are derived from tables at the back of this publication and are identified in the following list:

Chart	Item	Table	Line
1	Net change in inventories	S.10	9, upper section
	Business loans	S.10	18 + 19, upper section
2	Private net fixed investment	S.5	3, lower section less inventories in Chart 1
	Households + business borrowing except business loans	S.5	26 + 27, upper section less business loans in Chart 1
3	Private net capital outlays	S.4	3, lower section
	Households + business borrowing	S.4	26 +27, upper section
4	Total nonfinancial borrowing	S.4	1, upper section
	Households + business borrowing	S.4	From Chart 3
5	U.S. Government debt	S.6	2
	Other nonfinancial debt	S.6	5
6	Business loans	S.10	13 + 14, lower section
	Residential mortgages	S.6	10 + 11
	Other business + household debt	S.6	22 + 23 less business loans and residential mortgages
	State & local government debt	S.6	21
7	Total debt	S.6 & S.7	1, total credit market debt owed by nonfinancial sectors
	Privately held credit market instruments	S.7	12
	Private domestic nonfinancial sector deposits and credit market assets	S.7	46, credit instruments, deposits, and currency
8	Deposits and credit market assets	S.7	46
	Credit market debt	S.6	21 +22 + 23
9	Deposit assets	S.7	38
	Credit market assets	S.7	32
10	GNP	Not included	
	PDNF deposits and credit market asset holdings	S.7	46
11	PDNF deposits and credit market assets	S.7	46
	Household deposits and credit market assets	S.9	2
12	Deposits and credit market assets	S.9	2
	Corporate equity holdings	S.9	17 (at market value)

Fourth-quarter values of the deflator are presented below in reciprocal form, as multipliers against actual data:

1952	3.388	1956	2.752	1960	2.206	1964	1.801	1969	1.247
1953	2.278	1957	2.587	1961	2.113	1965	1.706	1970	1.135
1954	3.127	1958	2.450	1962	2.013	1966	1.591	1971	1.051
1955	2.970	1959	2.329	1963	1.905	1967	1.482	1972	.973
						1968	1.369	1973	.871

are basic data for analysis of the economy as a whole. Some of the connections have shown tendencies to shift over the 20 years. The 1960's in particular have demonstrated the facility and speed of financial markets in adapting to new practices and new financial instruments. These changes in financial flow structure usually appear in individual markets or sectors and can be explained to some extent by detailed analysis of those markets or sectors. They occur within the frame of the whole, however, and are in part reactions to changes in that frame. Whether as a framework that constrains particular markets or as elements acting on one another within a system, however, the main members of the structure appear to have an empirical existence that should be recognized explicitly in the data and in analysis of the data.

II ORGANIZATION OF ACCOUNTS

Section I, on the concept of flow of funds accounts, discussed the system only in broad terms and does not constitute an operating description of the system. Sections II, III, and IV define the accounts on the basis of the rules that organize the system, the relation of the accounts to income and product information, and descriptions of individual sector and transaction categories. Statistical derivation procedures for individual items in the accounts and procedures for processing source data are described in a separate publication in preparation.

Section I emphasized that the matrix organization of data is fundamental to the calculation, understanding, and analysis of flow of funds information. The matrix is also the organizing principle for the statistical tables in the body of this publication, each of which is a statement, in time series form, of one column or one row of the matrix taken as a balanced account of debits and credits. The tables for individual columns are sector statements of sources and uses of funds, while the tables for rows summarize purchases and sales in markets for individual transaction categories. The table of contents is organized to indicate the matrix organization of the time series tables as directly as possible. This section describes in more specific terms the organization of the matrix of accounts and hence of the system itself. References to the matrix are to the table on page S 1 of the statistical section.

As a device in social accounting, the flow of funds matrix has the following items as characteristics:

1. *Sectors.* The economy is divided into a number of major groups of transactors, such as households, businesses, and governments. These groups are termed sectors in flow of funds discussions and consist of sets of commonly identifiable economic units. The term sector thus always has an institutional meaning in these accounts, contrasted with many other bodies of data, economic models, and analytic discussions in which it sometimes refers to types of activities, as in the investment sector or the financing sector. Investment and financing are forms of activity that any institutional group might undertake and are referred to here as types of transactions (see item 3 below).[19]

2. *Sector uses and sources.* A pair of columns, one for out-payments (U for uses of funds) and one for receipts (S for sources of funds), is established for each major sector, and all transactions by the members of the sector are reflected in one or the other of these two columns.

[19] Noncorporate business is something of an exception to this principle, as discussed in Section IV.

3. *Financial transaction categories.* All payments and receipts of each sector are classified into standard transaction categories, which constitute the rows of the matrix. Just as each family, firm, or governmental unit is classified entirely into one or another column, so each individual financial claim — such as a savings account passbook or a single Treasury bill — is exclusively in one or another row, and all transactions in that claim are recorded in that row. Summation of all uses of funds along a row and across the sectors of the matrix gives a total of outlays made to acquire a particular kind of asset, whereas summation of sources along a row yields a total of funds raised in that particular manner.

4. *Financial sources and uses.* Financial claims are shown in the S column of a sector only to the extent that members of the sector issued such claims as liabilities to raise funds. Correspondingly, transactions in the U columns refer only to dealings in the claim as an asset. Sale of the claim as an asset is a negative offset against acquisitions of claims in the U columns, and debt repayment is an offset to borrowing in the S columns.

Every transaction in financial claims appears in the table as both a source of funds and a use of funds, since all borrowing is someone else's lending. The money supply is one of these claims, specifically a combination of demand deposits, which are liabilities of and sources of funds to banks, and currency held by the public, which is a claim on and source of funds to the monetary authorities.

Gold is treated as a financial asset but not a claim. It is a metal widely used as a monetary reserve, but it is not owed by anyone to the holder.

5. *Financial market summaries.* Each purchase of a claim is always someone else's sale of that same claim. Hence, taking the economy as a whole, and including transactions with foreigners, total funds raised by issuing a particular type of claim are necessarily equal to total funds used to acquire that claim as an asset.

Total borrowing then equals total lending in any type of claim and for any set of claims taken together. Each row or set of rows for financial claims therefore is a summary of all funds coming into and going out of a particular financial market or set of markets.

6. *Floats in financial transactions.* Because in many instances a single transaction is not entered into the books of the buyer and seller on the same day, there are many discrepancies in the basic accounting records of the economy between total assets and liabilities outstanding. The result is a certain amount of floating supply of claims as assets or liabilities that is an exception to item 5 above. In the flow of funds accounts, the floats that can be estimated appear in the Discrepancy column of the matrix (discussed under item 10 below).

7. *Nonfinancial transactions.* The first 9 rows of the matrix, through "inventory change," are for each sector a condensed summary of all nonfinancial transactions — payments and receipts for wages, goods and services, taxes, and transfers. Current receipts and payments are netted into a sector total of saving, while purchases of physical capital are shown separately.

Cumulated across the columns for *domestic* sectors, the row for saving adds to total saving in the U.S. economy, which is shown in a memo column (National saving and investment). The physical investment rows add across in a similar way to total capital formation in the economy.

8. *Sector balances—saving and investment.* As an accounting matter, every receipt of funds by an individual or a sector is reflected in one or more uses of funds, if only to increase cash balances.[20] For each sector, then, a balance exists (except for statistical discrepancies) between total sources and total uses of funds. This balance can be shown in a variety of ways, but in the matrix presented on page S.1 sector-account balances are shown as an equality between gross saving of each sector and its gross investment (rows 1 and 4 of the matrix). The concepts of saving and investment used here for sectors are the same as those

[20] In the flow of funds context the terms source of funds and use of funds mean no more than the standard terms credit and debit in double-entry bookkeeping. The sector statement is not a traditional sources and uses of funds aimed at explaining movements in a single item such as working capital, bank reserves, Treasury cash, or gold and foreign exchange. Any such single item in the accounts is a concept of funds special to one or another activity in the economy. When parallel statements are set up for all sectors, there is no one concept of funds that can be useful uniformly across the matrix. Even cash loses its generality in this setting, because cash of the public is different from cash of a bank or monetary reserves of a central bank. Hence the flow of funds statement evolves to a generalized form in which the funds themselves vanish, and there remains only the balance between total debits and total credits.

applied to national aggregates, and for each sector saving equals investment in the same sense as for the total economy. For each sector saving equals that sector's physical capital formation plus a net financial investment that measures the sector's excess of lending to other sectors over its borrowing from other sectors. At the national level, similarly, total saving equals capital formation plus net foreign investment, where the latter is the excess of lending abroad over borrowing from abroad.

With this accounting structure, the particular types of financial transactions by a sector, both borrowing and lending, are subcategories under net financial investment. The totals shown for financial sources and uses of funds by a sector in general include financial flows within as well as between sectors. It is only in the net of the two totals, where intrasector flows are canceled out, that the financial figures become intersector flows. This netting is carried across to the national total of net financial investment, where all domestic flows are washed out and where net financial investment of the economy becomes identically equal to net foreign investment.[21]

9. *Balance of the matrix as a whole.* The effect of the preceding eight items is to produce in the matrix a severely constrained accounting system that undertakes to place every transaction of the economy into direct juxtaposition to its counterparts, both vertically in sector accounts and horizontally in transaction or market-summary accounts. Horizontally the matrix is constrained by the equalities between saving and investment, between total nonfinancial sources and nonfinancial uses of funds, between net financial investment and net foreign investment, and between total borrowing and total lending in each financial market. Vertically it is constrained by the equality between saving and investment by each sector and for the economy as a whole.

The upshot of these constraints is that in using this organization of data as a framework for analysis — construction of models, simulation exercises, forecasting, or estimation of the data — no one cell of the matrix can be altered without changing at least three others: one in another row of the same sector column, one in another column of the same row, and at least one other for the second column and second row.

Discrepancy column and a Discrepancy row to absorb unaccounted entries in transaction rows and sector columns. The Discrepancy column carries the net sums of sources of funds less uses of funds across rows, and the sector discrepancy row carries correspondingly the net sums vertically. Because all elements of the matrix are reflected in both of the two accounts, they add to identical net totals in the corner of the matrix.

While they are net totals in the matrix, the two discrepancy accounts can also be viewed as a final sector and a final transaction account in a matrix that identically adds to zero in both directions. With that viewpoint, the statements in item 9 on constraints take on added generality, since one option in changing the matrix is to alter sector or transaction discrepancies. Indeed, if any single cell within the matrix is altered without explicit offsetting adjustments, the three other changes will automatically be in a sector discrepancy, a transaction discrepancy, and the joint sum of sector-transaction discrepancies.

All discrepancy entries have the sign of net uses of funds (the net sum of all sources minus allocated uses in an account). This is an arbitrary convention; it happens to be the same as that used in balance of payments and the opposite of the convention in the income and product accounts, where the statistical discrepancy is on the saving side of the capital account as a net source.

11. *Matrix as capital account.* The most general and most important characteristic of the matrix is that it constitutes a capital account for the economy as a whole deconsolidated among a number of institutional sectors. It is a capital account in the sense that it is a statement of acquisition of assets — both physical and financial — together with the sources of funds used to acquire those assets. For each sector the entry for gross saving is the net sum of internal sources of funds — a residuum of current receipts less cur-

[21] Net foreign investment is measured in flow of funds accounts from the capital flows (that is, the net of financial flows) in the balance of payments statement, whereas net foreign investment in the income and product accounts is measured from the current accounts — exports less imports and net transfer payments. The difference between the two measures is the errors and omissions item in balance of payments, shown in the matrix as the sector discrepancy (row 44) for the rest-of-the-world sector.

rent outlays — and constitutes in the matrix an addition to sector net worth plus capital consumption reserves. Investment is stated gross of capital consumption and net of borrowing and is thus a use of funds consistent with the saving concept as a source.

The matrix deconsolidates among sectors the capital account of the national income and product statistics. The nature of the matrix as an expansion of that capital account into individual sectors and into individual financial markets is central to the concept of flow of funds accounting and analysis. The position of the income and product capital account in flow of funds is discussed in Section III.

As already mentioned, each table in the sector and transaction accounts is a statement in time series form of one column or one row of the matrix. The sector tables are statements of sources and uses of funds, and the transaction tables cut across sectors to summarize flows into and out of individual markets. Any one cell of the matrix appears in both a sector table and a transaction table and is a link between the two.

This simple matrix organization of flow of funds tables allows flexibility in grouping of the data for specific purposes. Flow of funds data lend themselves to many views of economic activity, and each view characteristically needs its own summary structure, with particular items or relationships emphasized. The matrix itself provides a map from which more condensed systems can be designed with explicit indication of where each cell will fall and with assurance that balance of the accounts as a whole can be maintained to the degree necessary.

III RELATION TO INCOME AND PRODUCT ACCOUNTS

As stated earlier, a major purpose of the flow of funds accounts is to relate financial-market developments directly to the nonfinancial activities of the economy. For that purpose, the nonfinancial economy is taken to be measured by the scope, definitions, and data of the U.S. income and product accounts published by the Department of Commerce. The capital accounts for individual sectors of the economy that are pictured in the matrix on page 1 are in accounting form essentially a deconsolidation of the single capital account published by the Commerce Department (1966 National Income Supplement, Table V — Gross Saving and Investment, page xiii). In that account all financial claims within the United States are offset against one another, and there is no recording of financial flows within the economy or of financial investment by individual sectors. The consolidation leaves a measure of net financial investment for the economy as a whole that is conceptually the same as net foreign investment — the excess of U.S. lending abroad over U.S. borrowing abroad.

The flow of funds deconsolidation distributes the national totals of saving and tangible investment among domestic sectors. It introduces explicit recording of financial flows among sectors, detailed by type of instrument, that indicates the routes — direct or through intermediaries — by which sectors, such as households, that have excesses of saving over physical investment lend to sectors, such as business and governments, that may have an excess of spending.

The position of the Commerce Department capital account in the flow of funds system is described in Tables 4 and 5, by using data for the year 1961. These tables refer to Commerce Department categories of saving and investment as presented in the 1966 National Income Supplement (page 79).

SAVING AND INVESTMENT TOTALS

Table 4 gives the relationship between the national totals of saving and investment in the two systems of accounts. Total gross national saving (line C) in the flow of funds accounts is equal to the Commerce Department total with the one major exception that purchases of consumer durable goods have been treated in the flow of funds accounts as capital expenditures rather than as consumption. This shift produces a smaller amount of current outlays and a larger amount of saving in flow of funds accounts.[22]

This treatment of durable goods is based on the consideration that expenditures on consumer durable goods are, in a financing context, closely similar to those on producers' durables: (1) a household purchase of durables typically represents an investment in a product that will be useful over a period of several years; (2) consumer durable goods substitute to a significant degree for related business capital equipment; and (3) purchases of durable goods are debt-financed to a large extent. To bring consumer durable goods into the complex of saving and investment, a total for household saving is taken before deduction for these purchases, and total saving and investment are correspondingly higher.

The flow of funds accounts have a somewhat different distribution from Commerce accounts between private and public saving. This difference arises from the treatment of Government life insurance and retirement fund activities. In the Commerce accounts Government life insurance and retirement fund transactions with households are treated as social insurance contributions and transfer payments in the current account, both part of personal income. In flow of funds, however, life insurance and pension claims by households are established as part of household assets, and claims of these types against government funds are treated the same as private insurance and retirement funds. This difference in distribution shifts saving from governments to households relative to the Commerce Department accounts but has no effect on total saving.[23]

Federal Government insurance funds are consolidated directly into the flow of funds sector account for the U.S. Government, where net growth in insurance reserves is deducted from current surplus and appears as a financial source of funds under liabilities. State and local employee retirement funds, however, are shown

[22] The shift includes introducing capital consumption allowances for consumer durables but is made without imputing income from use of durables to total income or services from durables to product.

[23] Government retirement funds here cover Government employees and persons covered by railroad retirement. Old-age and survivors insurance is treated the same in the two accounting systems; in neither does it give rise to household saving.

TABLE 4 **GROSS NATIONAL SAVING AND INVESTMENT — SUMMARY COMPARISON, 1961**
(Millions of dollars)

	Item	Income and product	Flow of funds	Difference	Source of difference
A	Gross private saving	79,818	127,392	47,524	Lines B and C
B	Government surplus	—4,334	—7,728	—3,394	Insurance and pension funds
C	Gross national saving	75,484	119,664	44,180	Consumer durables
D	Gross private domestic investment	71,699	115,879	44,180	Consumer durables
E	Net foreign investment	3,035	2,029	—1,006	Errors and omissions in balance of payments statement
F	Gross national investment	74,734	117,908	43,135	Lines D and E
G	Statistical discrepancy (C — F)	750	1,756	1,006	Line E

as a financial sector separate from the operating accounts of these governments. The treatment there is to transfer savings from general government (in the flow of funds State and local governments—General funds sector) to households, and to impute a lending from households to the retirement funds (in the flow of funds State and local government employee retirement funds sector). The amount of both transactions is measured by total net growth in the funds' assets.

In Table 4 the only difference between the measures of gross private domestic investment (line D) in the two systems is the presence of consumer durables in the flow of funds total, as discussed above. The one other difference in total investment is in the measurement of net foreign investment. In the Commerce Department accounts, net foreign investment is measured as the net of current-account transactions in balance of payments — imports, exports, and unilateral transfers.[24] In flow of funds accounts, net foreign investment is defined as one form of net financial investment and is in fact a consolidation of that item for all domestic sectors. It is measured as the excess of foreign borrowing from the United States over foreign lending to the United States and is thus a net figure in the capital rather than current account of the balance of payments statement. The net current balance and net capital balance, which in concept should be equal, differ statistically by the amount of errors and omissions in the balance of payments statement, which thus appears as the difference between the net foreign investment totals on line E of Table 4. As may be seen from Table 4 (line G), this difference in foreign investment totals is reflected in a difference between the income and product statistical discrepancy and flow of funds discrepancy between saving and investment (row 44, last column of the matrix, page S.1).[25]

SECTOR DISTRIBUTION OF TOTALS

Table 5 spells out the allocation of national saving and investment among flow of funds sectors. Part A.1 shows the allocation among the flow of funds sectors of each component of total saving as published in the income and product accounts (total column). Part A.2 shows the changes in the total and their distribution in the flow of funds accounts occasioned by differences in treatment of specific transactions. Part A.1 is based entirely on Commerce Department data underlying the income and product accounts, whereas A.2 is based on flow of funds estimates except for consumer durables. In A.1 a few specific points of allocation should be mentioned. Corporate farms are in the farm sector, and household capital consumption on line 8 is on owner-occupied housing and nonprofit facilities. Mutual savings banks are included with savings institutions rather than with banking as in Commerce Department tables.

Gross saving of nonfarm nonfinancial corporations in flow of funds is different from the Commerce Department total of cash flow net of dividends (for example, *Survey of Current Business*, July 1973, page 23) only in that the figure in Table 5 includes inventory valu-

[24] Beginning in 1970 the Commerce Department accounts include as part of foreign investment the January allocations of Special Drawing Rights by IMF to the United States with this form of investment financed by a capital transfer item from the foreign sector to the United States. These allocations are omitted from flows in the flow of funds accounts, and hence from the measure of net foreign investment. They are included in tables on amounts outstanding as part of U.S. international reserve holdings, which are thus increased from year to year relative to flows. A similar effect resulted from changes in the official dollar price of gold in 1972 and 1973. These price changes, like SDR allocations, increased dollar value of reserve holdings without transactions.

[25] The flow of funds saving/investment discrepancy is to be distinguished from the nonfinancial discrepancy that appears in the matrix, row 1, discrepancy column. The latter matches total gross savings (the net on current nonfinancial transactions), including the foreign sector's, with total nonfinancial investment (row 5). In this matching, the foreign component is the balance of payments current-account balance (with opposite sign) used as net foreign investment in the Commerce Department statement. The flow of funds nonfinancial discrepancy is thus identically equal to the Commerce Department statistical discrepancy, although opposite in sign.

TABLE 5 **SAVING AND PHYSICAL INVESTMENT IN FLOW OF FUNDS ACCOUNTS, 1961**
(Millions of dollars)

	Item	Total	House-holds	Nonfinancial business			Government		Bank-ing	Sav-ings insti-tu-tions	Insur-ance & pen-sion funds	Other finance	
				Farms	Non-corp. non-farm	Corp. non-farm	Total	State and local	Federal					
	A.1 Allocation of NI&P saving among F/F sectors												
1	Personal saving	21,151	21,151	...	...	...	...	...	...	...	...	...	...	1
2	Undistributed corp. profits	13,475	...	—25	...	10,188	10,163	...	...	1,087	992	1,049	184	2
3	Corporate IVA	—52	...	...	...	—52	—52	...	...	...	...	...	...	3
4	Wage accruals less disburs.	0	...	...	...	0	0	...	0	...	...	...	...	4
5	U.S. Government surplus	—3,812	...	...	...	...	...	...	—3,812	...	...	...	...	5
6	State & local govt. surplus	—522	...	...	...	...	...	—522	...	...	...	...	...	6
7	Net natl. saving (NI&P)	30,240	21,151	—25	...	10,136	10,111	—522	—3,812	1,087	992	1,049	184	7
	Cap. consumption allows.:													
8	Corporate	26,240	...	147	...	25,438	25,585	...	...	321	50	204	80	8
9	Noncorporate	19,004	6,502	4,062	8,440	...	12,502	...	...	...	...	...	...	9
10	Gross natl. saving (NI&P)	75,484	27,653	4,184	8,440	35,574	48,198	—522	—3,812	1,408	1,042	1,253	264	10
	A.2 Transaction differences between NI&P and F/F affecting saving													
11	Consumer durables	44,180	44,180	...	...	...	...	...	...	...	...	...	...	11
12	U.S. Govt. insur. & pen. res.	...	1,017	...	...	...	...	...	—1,017	...	...	...	...	12
13	State & local govt. pen. res.	...	2,377	...	...	...	...	—2,377	...	...	...	...	...	13
14	Cap. gns. dvds. of inv't. cos.	...	499	...	...	...	...	...	...	...	...	...	—499	14
15	Gross natl. saving (F/F)	119,664	75,726	4,184	8,440	35,574	48,198	—2,899	—4,829	1,392	1,058	1,253	—235	15
16	Deprec. on consumer dur.	41,309	41,309	...	...	...	...	...	...	...	...	...	...	16
17	Net natl. saving (F/F) = 15-8-9-16	33,111	27,915	—25	...	10,136	10,111	—2,899	—4,829	1,087	992	1,049	—315	17
	B.1 Allocation of gross private domestic investment in NI&P among F/F sectors													
18	Nonfarm residen. constr.	22,043	17,569	...	2,580	1,894	4,474	...	...	...	...	...	...	18
	1- to 4-family houses	17,827	17,569	...	130	128	258	...	...	...	...	...	...	
	Other	4,216	...	...	2,450	1,766	4,216	...	...	...	...	...	...	
19	Farm residen. constr.	602	...	602	...	...	602	...	...	...	...	...	...	19
20	Nonresiden. plant & equip.	47,032	2,980	3,537	6,556	33,238	43,331	...	...	275	n.e.	446	n.e.	20
21	Change in business invent.	2,022	...	279	222	1,521	2,022	...	...	...	...	...	...	21
22	Gross pvt. dom. inv. (NI&P)	71,699	20,549	4,418	9,358	36,653	50,429	...	...	275	n.e.	446	n.e.	22
	B.2 Transaction differences between NI&P and F/F affecting investment													
23	Consumer durables	44,180	44,180	...	...	...	...	...	...	...	...	...	...	23
24	Gross pvt. dom. inv. (F/F)	115,879	64,729	4,418	9,358	36,653	50,429	...	...	275	n.e.	446	n.e.	24

n.e. = Not estimated.
NI&P = National income and product account.
IVA = Inventory valuation adjustment.
F/F = Flow of funds.

ation adjustment and net profits of branches abroad and excludes farm corporations.

The major differences in transaction treatment between the two accounting systems, recorded in Part A.2 of Table 5, have been discussed in relation to Table 4: consumer durables (row 11), which affect total saving, and government life insurance and retirement funds (rows 12 and 13), which affect only distribution among sectors. Part A.2 has one further adjustment to allocation of saving among sectors — capital gains dividends of open-end investment companies, both cash and retained, are treated in Commerce Department accounts as a capital transfer rather than a dividend component of personal income. In flow of funds these are a current-account payment from investment companies to households in order to avoid using a capital transfer account in the system for this one item. Saving is reallocated accordingly.

Line 18 gives a flow of funds estimate of capital consumption on consumer durable goods needed to derive net household and national saving in the flow of funds accounts, where such durables are viewed as capital goods rather than as consumption at the time purchased. The estimate is a declining-balance calculation in constant dollars on 10 classes of durables; the result is stated in current-year prices.

Part B.1 of Table 5 shows sectoring of totals of gross private domestic investment by type. Both totals and details are estimated by the Commerce Department. Business investment in 1- to 4-family units represents only changes in work in process on houses for sale to households and is essentially an inventory-change

component of the total residential figure.[26] Other residential construction consists of multifamily units, additions and alterations, and nonhousekeeping units. That part of other residential construction allocated to households is mainly additions and alterations, but it includes a small amount of multifamily and nonhousekeeping construction for nonprofit organizations. Farm residential construction is allocated to farms as purchasers, since it is commingled with other farm expenditures in financing. Nonresidential plant and equipment (line 20) is allocated as a single figure among sectors rather than separately for construction and producers' durable goods. The household allocation is for plant and equipment of schools, churches, and other nonprofit organizations.

Table 5 carries no allocation of net foreign investment among domestic sectors. Each sector's net foreign investment is part of its net financial investment, but not yet entirely identifiable as such. To complete identification would require allocation of miscellaneous financial sources and uses of funds in the balance of payments statements that are occasionally sizable but not specified as to nature. Pending further specification of those items, net foreign investment can be viewed only as the consolidated total of net financial investment for the United States, mixed for individual sectors, with similar net investment in domestic claims.

[26] All income and product and financial activities associated with owner-occupied housing are allocated directly to households in flow of funds. This includes purchases of completed new houses, additions and alterations, mortgage borrowing secured by such properties, capital consumption allowances, imputed rents in consumption, and imputed net rental income. The noncorporate business account includes only activities in cash rental housing and in construction itself.

IV DEFINITION OF SECTORS AND TRANSACTION CATEGORIES

SECTORS

Any group for which a complete statement of sources and uses of funds has been estimated in flow of funds accounts can constitute a sector for analytic purposes. At the most detailed level there are about 20 such sectors for which data are maintained on a continuing basis. In table presentations and discussions of the data, these elemental sectors are often combined into broader sector groupings, which can also be treated as sectors analytically.

Sector structure

The matrix on page S.1 simultaneously shows two levels of sector detail, of which one is a very broad summary of the accounts into four sector groups — private domestic nonfinancial, U.S. Government, finance, and foreign — while the other breaks the private domestic and the finance into three parts each. Flow of funds publications frequently carry, as on page S.3, a submatrix for nonbank financial sectors at the most detailed level available.

The sector structure from the most detailed level to the broadest groupings used in the sector and transaction accounts tables is as shown in Table 6.

Sector definitions

Households include — in addition to persons as members of households — personal trusts and nonprofit organizations serving individuals, such as foundations, private schools and hospitals, labor unions, churches, and charitable organizations. There are no separate data available on a continuing basis for personal trusts and nonprofit organizations. Their importance in the financial transactions of the sector might be estimated for the early 1960's when, of

total sector financial assets on the order of $1,100 billion, roughly $60 billion were in bank-administered personal trusts and perhaps $25 to $30 billion in nonprofit organizations. The household sector excludes farm and noncorporate business activities of individuals. On housing, see footnote 26.

Farm business covers all farming activities in the United States including corporate farms. The sector includes farm credit cooperatives consolidated with the farms that own them, and it includes farm housing activities. Consumption activities of farmers are in the household sector. Farm income in the accounts is as defined and measured for national income purposes, including imputed incomes. Except for retained profits of corporate farms, income is transferred entirely to the household sector and is reflected in household saving. Owner equity investments in noncorporate farming enter the farm sector through the transaction account "equity in noncorporate business."

To the extent that farmers commingle household and business activities in their own accounts, this sector departs somewhat from the principle that all activities of a unit are to be in a single sector account. The farm business sector can be viewed as an activity subaccount of the household sector, with connection through the proprietors' equity transaction account.

Nonfarm noncorporate business consists of partnerships and proprietorships in nonfinancial enterprises, including individuals' rental activities and the professions. Like farming, this sector is treated in the accounts as an activity subaccount of the household sector: all current income is transferred to households, net saving is shown as zero, gross saving is equal to capital consumption allowances, and all changes

TABLE 6 **SECTOR STRUCTURE**

Households				
Farm business	Noncorporate business	Nonfinancial business	Private domestic nonfinancial	Nonfinancial
Nonfarm noncorporate business				
Corporate nonfinancial business				
State and local governments — General funds				
Rest of the world				
U.S. Government				
Federally sponsored credit agencies				Finance
Monetary authorities				
Commercial banks	Commercial banking			
Domestic affiliates of commercial banks				
Foreign banking agencies				
Banks in U.S. territories and possessions				
Savings and loan associations	Savings institutions	Private nonbank finance		
Mutual savings banks				
Credit unions				
Life insurance companies	Insurance			
Other insurance companies				
Private pension funds				
State and local government employee retirement funds				
Finance companies	Finance not elsewhere classified			
Real estate investment trusts				
Open-end investment companies				
Security brokers and dealers				

in equity capital appear as net inflows in "proprietors' net investment."

Corporate nonfinancial business comprises all private corporations not specifically covered in financial sectors. It includes holding companies and closed-end investment companies on a consolidated basis, and it includes real estate firms. It is identical with the nonfinancial corporate group shown in Commerce tables except that it excludes farm corporations. Activities of pension, welfare, and profit-sharing funds are excluded from the sector to the extent that they are excluded from basic data in corporate tax returns.

State and local governments—General funds comprise all political subdivisions of the United States, and all corporations, enterprises, debt-issuing authorities, and trust funds operated by these subdivisions, other than employee retirement funds; these last are shown separately as a financial sector. Basic data for the sector are the aggregates in the U.S. Census Bureau's *Census of Governments.*

Rest of the world is as defined in the balance of payments statement for the United States, and the data in this sector account are from that statement, with financial transactions classified into flow of funds categories and nonfinancial transactions as published in the income and product accounts. The sector discrepancy is "errors and omissions" in the balance of payments statement.

U.S. Government covers, for all years, the agencies and funds that are in the Government's unified budget as of 1969, except the District of Columbia. Included are the Exchange Stabilization Fund, employee retirement funds, life insurance funds, and all corporations that are wholly or partly owned by the Government. Many of these agencies operate lending programs, and a few issue their own debt to the public separate from Treasury securities. The sector does not include the Federal Reserve System and certain Treasury monetary accounts that constitute the monetary authority sector, and it does not include a set of sponsored credit agencies described below. The sector account is consolidated, and transactions and claims among agencies are not shown.

Federally sponsored credit agencies are a financial sector consisting of five types of specialized lending institutions that had originally been created by the Government and owned by the Government to varying extents. Government equity has been fully retired, and they are now excluded from the Government budget accounts as private institutions. In the flow of funds accounts they are separate from the Government sector for all years. These agencies finance their lending activities mainly through issues of their own debt securities, and through 1972 such issues have been closely coordinated with Treasury debt operations. The agencies are:

Agency	*Principal type of credit*
Federal home loan banks	Loans to savings and loan associations
Federal National Mortgage Association	Residential mortgages
Federal land banks	Farm mortgages
Federal intermediate credit banks	Short-term farm credit
Banks for cooperatives	Short-term farm credit

The figures for this group also include GNMA-guaranteed mortgage-backed pass-through securities as liabilities, with the pools of mortgages backing the securities as assets. Pass-through securities first appeared in 1970 as a result of the 1968 Housing Act, and by the end of 1973 about $9 billion had been issued. The pools are organized by private groups, but liability for the securities is in the mortgage pools themselves, not in any identifiable transactor group. The pools and securities have a quasi-public character because of the GNMA guarantee and are included in this sector for that reason.

Monetary authorities consist of the Federal Reserve System and certain monetary accounts of the Treasury: the gold account, the silver account, and an account constructed to record other currency liabilities of the Government and the assets behind those liabilities. The sector is identical with the group of institutions and accounts for which the "Member Bank Reserves, Federal Reserve Bank Credit, and

Related Items" table in the Federal Reserve *Bulletin* is a sources and uses of funds statement. The "Factors supplying reserves" are assets and the "Factors absorbing reserves" are liabilities. The principal liabilities are thus bank reserves and currency in circulation, and the principal assets are U.S. Government securities, gold, bank borrowings from the Federal Reserve, Federal Reserve float, and Treasury currency — assets that are backing for the reserve money of the economy.[27]

Commercial banks cover all banks in the 50 States, as defined by the coverage of all-bank statistics in annual reports of the Comptroller of the Currency. The sector excludes banks in U.S. territories and possessions, which are a separate sector. This sector is in flow of funds on a consolidated basis: all deposit and loan relationships among domestic commercial banks have been "washed out." Interbank items in general add to different totals as assets and as liabilities because of items in transit and classification variances, and the net differences are included in the sector account as miscellaneous unallocated liabilities.

Domestic affiliates of commercial banks are mainly holding-company parents of banks and nonbank subsidiaries of bank holding companies. The data included for the group are at present limited to specific assets and liabilities related directly to banking activity—loans to banks, loans purchased from banks, and commercial paper issued to finance such activities.

Foreign banking agencies are a combination of Edge Act corporations and agencies of foreign banks. Edge Act corporations are subsidiaries of U.S. banks engaged in international banking under Section 25 of the Federal Reserve Act. They are not included in consolidated bank reports published by bank regulatory agencies, but their international flows are included in balance of payments data on transactions of U.S. banks. They have a liability for part of the U.S. money stock and are active in domestic money markets.

Agencies of foreign banks are U.S. offices operating under special banking charters that do not allow taking of U.S. deposits. Like Edge Act corporations, their transactions are included in balance of payments banking flows, and they have a liability for part of the money stock. The group also includes some foreign-owned banking institutions chartered in New York as investment companies.

Banks in U.S. territories and possessions are also included in balance of payments totals for U.S. banking transactions. The group consists of those currently published by the FDIC. It includes branches of U.S. and foreign banks in these areas.

Savings and loan associations are mutual and stock institutions chartered by States and the Federal Government to accept share capital inflows and to lend primarily in mortgages. The group consists of associations covered in Federal Home Loan Bank Board statistics, including noninsured associations.

Mutual savings banks are institutions operating under savings bank charters in 19 States with deposit insurance from FDIC. Data for the group are those published by the National Association of Mutual Savings Banks.

Credit unions are employee organizations related to individual firms or agencies that are organized under State or Federal charter to accept share funds from members and to lend consumer credit to members. The group consists of all State and Federal credit unions in statistics published by the Bureau of Federal Credit Unions in the Department of Health, Education, and Welfare.

Life insurance companies are those covered in the Life Insurance Institute's *Fact Book* but

[27] The structure of "Bank Reserves and Related Items" is described in detail in "Member Bank Reserves and Related Items," Section 10 of *Supplement to Banking and Monetary Statistics* (Board of Governors of the Federal Reserve System, 1962). The flow of funds sector statement treats foreign exchange holdings as a positive asset rather than a negative liability and classifies minor items somewhat differently but otherwise represents the Member Bank Reserves, Reserve Bank Credit, and Related Items table as described in that publication. The table on reserves published in the Federal Reserve *Bulletin* has been modified recently to include all assets on the asset side rather than as negative liabilities.

exclude fraternal orders. Government life insurance programs are also excluded; they are in the U.S. Government sector account.

Other insurance companies are the fire, casualty, and other companies covered in *Best's Aggregates and Averages.*

Private pension funds are defined in the annual statistics on self-administered pension funds published by the Securities and Exchange Commission. They include retirement funds of nonprofit organizations and multiemployer plans shown in those data. Their total assets are treated as a holding in trust for the household sector and are the measure of a pension reserve liability to households. By this treatment pension funds have zero saving by definition. The current-account transactions that affect pension-fund assets are imputed to households and are reflected in personal saving. This money is then advanced by households to pension funds in the financial accounts.

State and local government employee retirement funds are the group of such funds reported in the *Census of Governments.* They have the same position in the accounts as private pension funds, with zero saving and a liability to households equal to their assets. A current-account transfer of saving from governments to households is required to finance this household investment, however, because in the income and product accounts the saving is attributed to governments. This is described on page 31.

Finance companies comprise sales finance, consumer loan, and commercial finance companies covered in the Federal Reserve's 5-year Censuses of Finance Companies.[28] The group also includes mortgage companies.

Real estate investment trusts (REIT's) are a relatively new form of intermediary that, through 1960 legislation, are exempt from Federal corporate income tax provided they distribute most of their ordinary income to shareholders and provided most of their investments and gross income are from real estate or mortgages. They can be either open end or closed end, but in practice all trusts created so far have been closed-end companies. Their investments have been mainly in construction and development loans, and their funds have been raised through diversified patterns of bond and share issues, bank loans, and commercial paper issues.

Open-end investment companies (mutual funds) are the group reported by the Investment Company Institute. Closed-end companies are consolidated with the nonfinancial corporate business sector.

Security brokers and dealers are based on aggregates for such firms registered with the Securities and Exchange Commission.

Discrepancy, the last column in the matrix, records the residual excess of total sources over total uses of funds along each transaction row. These discrepancies have the sign of a net use of funds. In an accounting sense the discrepancy column is the last sector account needed to complete the matrix. As indicated in descriptions of transaction accounts below, many of these discrepancies have substantive meaning and are not solely the result of statistical deficiencies. The discrepancy for nonfinancial transactions is identically equal to the statistical discrepancy in the income and product accounts (with sign reversed), reflecting the integration of Commerce data into the system discussed in Section III. Transaction accounts with zero discrepancies have residual estimates along the row for some actual sector's transactions in the account. Typically the residual is in the household account, but not always. The discrepancy column is discussed below in its relation to the discrepancy transaction row.

TRANSACTION CATEGORIES

Transactions in the flow of funds accounts are arranged in three major transaction groups — current nonfinancial, capital nonfinancial, and financial. In addition there are several internal

[28] The 1970 Census was published in the November 1972 Federal Reserve *Bulletin,* p. 958.

entries, subtotals, and transfers between current and capital subaccounts, such as capital consumption charges, current surplus, saving, investment, corporate profits, and unincorporated business net income. Many sectors also have a residual discrepancy item — the excess of saving over investment in the data.

Current nonfinancial

Current-account transactions are not shown on a basis that is uniform for all sectors. In the matrix, which is a sectoring of the economy's capital account, all current items are netted together into gross saving as a source of funds to capital account. In individual sector accounts a certain amount of current-account information is included to indicate links between gross saving and the income and product data from which it is derived. For households the items are directly identifiable in the income and product statistics except two that are from other sources. Current items for corporate business are those for nonfinancial corporations in income and product with farm corporations excluded as part of farm business. Branch profits from foreign operations are added to undistributed profits from domestic activities in measuring total internal funds. Inventory valuation adjustment is included for consistency with the inventory investment figure included in GNP and business capital account.

Capital nonfinancial

Capital nonfinancial transactions — saving and investment — are described in Section III in the discussion of the relationship of the Commerce Department's income and product data to the flow of funds matrix.

Flow of funds publications of annual and seasonally adjusted quarterly data include as a first table a distribution among sectors of both current and capital nonfinancial transactions taken from the Commerce Department's income and product accounts. The table includes a sector distribution of profits as well as of the capital entries discussed in Section III.

Financial

All financial transactions are entered into the accounts in a particular form of net basis: asset sales by a sector are entered as negative uses of funds — deductions from purchases of the same kind of asset — whereas debt repayments are entered under sources as deductions from new borrowing of the same type. There are in the matrix no deductions of liabilities against assets either within a type (for example, household mortgage assets and liabilities are entered separately), nor in different types (such as a deduction of security credit from security holdings).[29] Certain time-series tables of the accounts show such deductions, but they are within special formulations and not part of the general structure of the accounts.

Net financial investment for each sector is the excess of net acquisitions of financial assets over net increases in liabilities. It measures net funds advanced by each sector to all other sectors. Net financial investment for each sector plus the statistical discrepancy for that sector equals the sector net surplus on all nonfinancial transactions.

Table 7 lists the types of financial claims for which separate transaction accounts are maintained in the flow of funds accounts. The items listed are categories normally shown in the published tables. Some are sums of subcategories for which accounts are also maintained; subcategories are indented. The groupings are those frequently used to summarize transaction accounts.

Gold and Special Drawing Rights consist of gold held as a monetary reserve and SDR holdings. Transactions in gold are recorded only for monetary authorities, the Exchange Stabilization Fund in the U.S. Government sector, and the rest of the world. All gold transactions are treated as uses of funds, and no liability is imputed for not holding gold or for SDR's. All

[29] The one exception to this rule in the matrix is the net International Monetary Fund position (capital subscription less certain IMF claims on the United States), which is counted in the U.S. foreign exchange position as an asset on a net basis.

gold in the Treasury gold account is in monetary authorities assets, while gold held by the Exchange Stabilization Fund is in U.S. Government assets together with all SDR holdings. As mentioned in Section III, SDR allocations to the United States, which began in 1970, are included in asset holdings but not in flows. Revaluations of the U.S. dollar also appear as changes in gold and SDR holdings not reflected in flows. The flow data include only purchases and sales of these assets.

Official foreign exchange position is as defined in balance of payments accounts — convertible foreign currencies and the net IMF gold tranche position. This is a liability of the rest of the world and a net asset distributed between the U.S. Government (Treasury holdings of currencies plus IMF subscription less IMF notes and letters of credit) and monetary authorities (Federal Reserve holdings of currencies less certain deposits of the IMF).

Treasury currency consists of silver held as monetary reserve by the domestic economy and certain asset-debt relationships between the banking system and the Federal Government in connection with the monetary system — seigniorage on silver, deposits with the U.S. Government for redemption of Federal Reserve Bank notes and national bank notes, and liability of the U.S. Government in connection with minor coin and United States notes backed by gold reserves.[30] Transaction flows for this category occur only between the Treasury and the monetary authorities. Beginning with 1970, this account also includes SDR certificates as a monetary authorities asset and a Treasury liability.

The large difference between total assets and total liabilities in the estimates of amounts outstanding reflects the fact that gold and silver are shown in the accounts as assets but not as liabilities (except seigniorage revaluations on silver, which are treated as a U.S. Government liability). Gold and silver are treated as tangible assets rather than as claims.

Demand deposits and currency cover demand deposits at commercial banks in the United States, Government and foreign deposits at Federal Reserve Banks, and U.S. currency outside banks. The definition is identical with that of money supply plus U.S. Government deposits in the daily-average statistics on money stock.[31]

The matrix on page S.1 indicates in the discrepancy column differences in this category between liabilities as seen in bank records and assets as recorded in holder-sector accounts. These differences are mail float, representing checks in the mail that are moneys no longer on the books of senders and not yet on the books of receivers. Mail float relates to checks that have not yet entered the banking system clearing procedure. It exists in parallel with and separate from cash items in process of collection and Federal Reserve float. Cash items and Federal Reserve float are deducted from gross demand deposit liabilities of banks to consolidate the bank liability down to an amount owed to nonbanks.[32] Mail float is a further deduction to arrive at holder records of money balances.

This deduction of mail float is necessary to bring holder entries for cash into consistent timing with the other entries in nonbank accounts. It is mainly an accounting requirement, however, and does not imply that holder records are analytically more important than bank records. In general the public looks at the bank record of its deposits as more relevant in managing cash than the balance on its own books. Were

[30] For a detailed discussion of these relationships, see *Flow of Funds in the United States, 1939-1953* (Board of Governors of the Federal Reserve System, 1955), chapter 17.

[31] A very small exception is IMF deposits with the Federal Reserve, which in flow of funds are negative in the foreign exchange position. Apart from this, relation to money supply is presented in the Federal Reserve *Bulletin*, August 1962, p. 945.

The June 1971 Federal Reserve *Bulletin* introduced a new series on ownership of demand deposits. For the relation between those data and flow of funds estimates, see Table 8, p. 463, of that *Bulletin*.

[32] The role of these items in measurement of money supply is described in the Federal Reserve *Bulletin*, October 1960, pp. 1108-12. The money supply as published by the Federal Reserve is a banking-system liability record rather than a holder asset record.

TABLE 7 **FINANCIAL TRANSACTION CATEGORIES**

Gold and Special Drawing Rights	Monetary reserves
Official foreign exchange position	
IMF gold tranche position	
Convertible foreign exchange	
Treasury currency	
Demand deposits and currency	Deposit claims on financial institutions
Private domestic	
U.S. Government	
Foreign	
Time deposits at commercial banks	
Savings accounts at savings institutions	
Life insurance reserves	Insurance and pension reserves
Pension fund reserves	
Interbank claims	
Corporate equities	
U.S. Government securities	Credit market instruments
Treasury issues	
Short-term	
Other marketable	
Savings bonds	
Nonguaranteed agency issues	
Loan participation certificates	
State and local obligations	
Corporate and foreign bonds	
Home (1- to 4-family) mortgages	
Other mortgages	
Multifamily residential	
Commercial	
Farm	
Consumer credit	
Instalment	
Noninstalment	
Bank loans n.e.c.	
Other loans	
Open market paper	
Finance co. loans to business	
U.S. Government loans	
Sponsored credit agency loans	
Loans on insurance policies	
Security credit	Other claims
Owed by brokers and dealers	
Owed by others	
Taxes payable	
Trade credit	
Equity in noncorporate business	
Miscellaneous	
Deposit claims	
Equities	
Insurance claims	
Unallocated claims and bank floats	
Sector discrepancies	

it possible statistically to shift timing of all non-cash entries in sector accounts to a basis consistent with bank record of money supply liability, the entire body of accounts would perhaps be improved for analysis. Short of this the mail float deduction is necessary.[33]

Mail floats are shown in the matrix for private domestic and for U.S. Government deposits. Foreign deposits are on a bank-record basis in the balance of payments accounts (and hence here), consistent in timing with at least the large bulk of capital-account transactions.

A mail float in demand deposits implies corresponding floats in many if not all other transaction categories. As a general matter records of sales and purchases and of lending and borrowing are not timed simultaneously, and it is not possible to balance both sector accounts and transaction accounts without float items. Statistically, most of these floats cannot be estimated. The largest volume of transactions generating float is undoubtedly in trade credit, however, and as noted below, a float exists in the system for that account.

Time deposits and savings accounts consist of all time deposits at commercial banks (including negotiable certificates of deposit) and all deposit and share accounts at mutual savings banks, savings and loan associations, and credit unions. Flows include crediting of interest and dividends as well as deposits and withdrawals. Postal Savings System deposits are in the miscellaneous category, and savings bonds are in U.S. Government securities.

Life insurance reserves are established in the accounts as a claim by households as policyholders against life insurance companies and U.S. Government insurance programs. The category includes deposit claims of policyholders and beneficiaries against insurance companies arising from supplementary contracts not involving life contingencies. Policyholders' borrowing on policies from insurance companies and from Government insurance programs is a positive element of the other loans category rather than a negative element here. Statistically, the category is estimated to be equal to policy reserves against private and U.S. Government life insurance policies, including individual and group annuities and supplementary contracts. Changes in policy dividend accumulations and accident and health reserves are in the miscellaneous transaction group as liabilities to policyholders.[34]

Pension fund reserves are in the accounts as a claim of households as beneficiaries against retirement programs. They cover private pension plans (both those administered by insurance companies and other private plans, and both vested and unvested plans), government employee retirement funds, and the Railroad Retirement Fund. They do not cover the OASI social insurance program. Statistically, the category is estimated as equal to changes in reserves of private plans administered by insurance companies and total assets of other private plans, government employee retirement funds, and the Railroad Retirement Fund.[35]

Interbank claims are a set of relationships between the Federal Reserve and commercial banks and among the several subsectors of commercial banking. Claims among banking subsectors—deposits and loans—appear in

[33] Statistically, mail float is estimated directly and used in calculating household cash as a residual. The nature and meaning of household cash as an "other-party" record are discussed in George Garvy, "The Float in Flow-of-Funds Accounts," *Flow of Funds Approach to Social Accounting*, vol. 26 of Studies in Income and Wealth, NBER, pp. 431-61.

A further note on the meaning of the bank-record liability: If all check-writing were to cease for a fortnight and all checks in the clearance system to reach their final destination, both the bank gross records of liabilities and holder records of assets would settle at the level of demand deposits shown in money supply statistics, that is, net of cash items and Federal Reserve float. Bank records would come down from a higher level and holder records up from a lower level. It is this ultimate view of the present state of balances plus checks in transit that in general has most meaning to the public as a cash balance.

[34] Measurement of life insurance claims is discussed in the Federal Reserve *Bulletin*, August 1959, p. 837.

[35] Treatment of pension funds claims is discussed in the Federal Reserve *Bulletin*, August 1959, p. 838. With corporate equities valued at market prices in pension fund assets, year-to-year changes in total reserves outstanding can differ substantially from net flows into reserves as a result of market price changes. The net flows represent premium receipts and investment income less benefit payments and operating costs.

tables for the total commercial banking sector as both assets and liabilities of equal amounts. As among the bank subsectors, the total tables are thus combined statements rather than consolidated statements. This is in contrast to the commercial bank subsector, which is consolidated for the banks included.

Corporate equities represent net issues of and transactions in equity securities of private domestic corporations and U.S. net purchases of stocks of foreign corporations. The category includes investment company shares and covers both common and preferred stock. Figures for asset levels of sector holdings are stated at market value, and annual changes in levels differ from net purchases because of fluctuations in market price. No estimates of liabilities for corporate stock are attributed to issuing sectors except open-end investment companies. These companies differ from other corporations in that they have an obligation to redeem shares on demand at values based on current values of portfolio assets.

Credit market instruments is a core group of debt claims that is the principal medium used by nonfinancial sectors in raising funds through formal credit channels. It excludes trade credit arising in the normal course of business, tax liabilities, security credit, and proprietors' equities in noncorporate business. It also excludes miscellaneous claims, which are mainly accruals for private sectors and various trust deposits for the U.S. Government.

Credit market instruments are used by financial as well as nonfinancial sectors as a source of funds but to a much smaller extent relative both to borrowing in this form by nonfinancial sectors and to borrowing in other forms by financial sectors. In the matrix financial sectors' borrowing in credit markets is included in the credit market rows, but the principal summary tables on credit flows, discussed in Section I as illustrated in Table 2, focus on the use of these markets by nonfinancial sectors.

U.S. Government securities consist almost entirely of the issues covered in the Treasury Surveys of Ownership during 1972 and are measured by the amounts shown in the surveys.[36] They include:

All Treasury issues, including savings bonds, foreign currency series, and other nonmarketable issues in the survey;

Agency issues by TVA, Export-Import Bank, Postal Service, Federal Housing Administration, and other Government agencies;

Loan participation certificates issued by Export-Import Bank and GNMA;

CCC certificates of interest and CCC-guaranteed bank loans;

Farmers Home Administration insured notes;

Issues by federally sponsored credit agencies;

GNMA-guaranteed pass-through securities backed by mortgage pools.

As a group, these securities are issued by two sectors in the account structure—U.S. Government and federally sponsored credit agencies. Liabilities of each sector held within that sector are consolidated out, but issues held by the other sector are included. The U.S. Government liability, for example, excludes Government investment account holdings of the Government's issues but includes holdings by sponsored agencies. Federal Reserve holdings are included in both totals of liabilities. In addition to the issues covered in the Treasury surveys of ownership the category includes small amounts of "special issues" held by Federal home loan banks and other non-Government groups. GNMA-guaranteed pass-through securities are combined in tables with securities issued by federally sponsored agencies, as mentioned above in the description of the sponsored-agency sectors.

Liabilities of the U.S. Government not covered by this category are shown in the following list:

[36] Where maturity detail is shown, "short-term marketable" consists of all bills, certificates, notes, and bonds due within a year of the date shown, regardless of original maturity. The amounts also include part of issues due within 2 years on a sliding-scale basis. "Other" issues are marketable issues not classified as short term and all nonmarketable issues.

U.S. Government liability	*Transaction category*
Special notes issued to the IMF	Negative in official foreign exchange position
Defense Department and Coast Guard housing mortgages	Home mortgages
Trust and deposit liabilities	Miscellaneous financial
Certain accrued interest (beginning fiscal year 1956)	Miscellaneous financial
Postal Savings System deposits	Miscellaneous financial
Currency items in the public debt	Treasury currency
Other Treasury currency liabilities	Treasury currency
Certain accounts payable	Trade debt

State and local obligations cover the total debt of all State and local government units, except loans from the U.S. Government (which are in other loans) and trade debt. State and local obligations held by the State and local government sector are included in both assets and liabilities of that sector. Both short-term and long-term securities are included, conforming in amount and maturity division to data shown in the Census Bureau's annual surveys of governmental finances.

Corporate and foreign bonds consist of the funded debt of U.S. private corporations and foreign (private, governmental, and international agency) bonds held in the United States. The domestic liability has the coverage reflected in the Securities and Exchange Commission series on bonds and notes in "Net Change in Outstanding Corporate Securities" as published before 1974. It thus includes convertible issues until converted into equities. Conversions appear as debt retirements and equity issues.

Home mortgages cover all debt secured by 1- to 4-family nonfarm residential properties. The category is statistically the same as the corresponding series published monthly in the Federal Reserve *Bulletin*.

Other mortgages consist of all debt secured by multifamily residential, commercial, and farm properties. The category has statistically the same coverage as the corresponding series published monthly in the Federal Reserve *Bulletin*. The tables include full statements of borrowing and lending in the three types separately.

Consumer credit comprises short- and intermediate-term consumer instalment and noninstalment credit and is statistically the same as the consumer credit series published monthly in the Federal Reserve *Bulletin*.

Bank loans n.e.c. (not elsewhere classified) cover the following types of bank loans:

1. By the commercial banking sector (in terms of call report classifications):
   a. Commercial loans, except open market paper (in other loans category);
   b. Farm loans, except CCC-guaranteed loans and CCC certificates of interest (included as a Government liability in U.S. Government securities);
   c. Loans to individuals for personal purposes, other than those included in consumer credit statistics;
   d. Loans to foreign banks (loans to domestic commercial banks are either in interbank claims, when between banking subsectors, or eliminated in consolidating banking subsector statements);
   e. Loans to other financial institutions except commercial paper (in other loans category);
   f. All other loans.
2. By Federal Reserve Banks:
   a. Foreign loans on gold;
   b. Industrial loans.

Real estate and security loans are excluded entirely from bank loans n.e.c. as credit in the flow of funds mortgage and security credit categories. Consumer credit is also excluded from this category.

Both the asset and liability sides of the category are measured gross of valuation reserves.

Other loans is the final grouping within credit market instruments and consists of the following types:

1. Directly placed finance company paper;
2. Dealer-placed commercial paper;
3. Bankers' acceptances;
4. Loans to banks from nonbank lenders that are in the form of Federal funds or security repurchase agreements in borrowings in the balance sheets of banks. Borrowings within

the banking sector either appear in interbank claims or are consolidated out within banking subsectors;

5. Finance company loans to business mainly for financing of equipment purchases or to carry inventories or receivables;
6. Loans from U.S. Government (other than mortgages and trade credit, both included in other financial categories, and most CCC direct nonrecourse loans, treated as purchases of inventories),[37] such as student loans, small business loans, and foreign aid loans;
7. Loans other than mortgages by federally sponsored credit agencies;
8. Policy loans on life insurance policies;
9. Consumer credit secured by hypothecated deposits (through June 1966). These loans are excluded from consumer credit statistics, but until June 1966 bank statistics included the loans in assets and the hypothecated deposits in time deposits. After that time both loans and deposits are eliminated from monthly banking statistics and from the flow of funds accounts. The semiannual call reports on commercial banks continue to carry the loans and deposits on a gross basis.

The first four of these types are combined together in tables as "open market paper" even though not all of these types are negotiable. The four types have in common that they are short-term money market investments from the lender's view and are close substitutes for short-term Government securities and for time deposits as liquidity investments.

Security credit consists of loans for the purpose of purchasing or carrying securities subject to Federal Reserve regulation. It includes loans to security dealers from banking and customer debit and credit balances with brokers and dealers. This credit is, in the first instance, an indirect form of supply of funds to credit markets, rather than a credit market demand for funds. On the main stem of the relationship, banks finance private security holdings through direct security loans and loans covered by broker and dealer credit to customers, and in addition banks finance dealer direct holdings of securities. It does not include all loans with security collateral, many of which are in bank loans n.e.c.

[37] CCC loans to cooperatives for tobacco and CCC storage facility loans are treated as loans and included in the other loans category.

Taxes payable are the excess of taxes accrued from a period's operation over taxes paid during the period. Both U.S. Government and State and local taxes are included. At present the item covers only corporate profit taxes, but it would be useful and relevant to include parallel liabilities for personal income, social insurance, and indirect taxes. Unlike most other financial items in the accounts, this is not a claim that has been formally recognized by both debtors and creditors. Until final settlement on a year's liability, each party makes his own estimate as to the amount involved. Taxes payable are nevertheless recognized in financial planning by both business and governments and in business accounting.

Because opinions can differ on the amount of claim, the discrepancy in this transaction account is different in concept from the mail floats discussed above. Statistically the liability side is estimated from corporate balance sheets, whereas the receivable side is the excess of Commerce Department estimates of accruals over governmental reports of actual receipts. While part of the discrepancy between the two arises from data problems, an element remains that is conceptual.

The data discrepancy in taxes appears in the corporate business sector account. Algebraically, accruals less payments of profit taxes should equal the change in the sector's profits tax liability, but in the statistics this is not the case. Accruals, receipts, and balance-sheet liabilities are taken from independent data sources, derived from separate tabulations of profit estimates, governmental receipts data, and corporate balance sheets, and there are inevitable inconsistencies in timing, coverage, and estimating procedures among the three. In addition there is always some amount of payments or refunds in tax settlement cases that have not been entered into either balance sheets or accrual estimates. For these reasons the three tax items shown in the corporate sector table typically do not balance exactly in the statistics.

Tax liabilities include Federal Reserve payments to the Treasury that have been declared but not paid. This treatment corresponds to the income and product classification of such payments as profit taxes.

Trade credit is an approach to a book credit category; it consists of receivables and payables other than consumer credit, finance company paper, business debt to finance companies, bankers' acceptances, and other open market paper. In the flow tables noncorporate receivables are netted against payables, but in the tables on amounts outstanding they are shown separately.

A large mail float exists between receivables and payables in trade credit for two reasons: receivables are recorded before buyers have received and recorded amounts payable, and buyers write down payables when checks are mailed and before sellers have received them. This float is in the transaction discrepancy along with statistical inconsistencies of the estimates.

Equity in noncorporate business represents net flows of equity funds invested by proprietors in unincorporated businesses, both farm and nonfarm. No figures on amounts outstanding can be presented in flow of funds accounts without estimates of physical asset stocks that are part of the basis of net worth.

Given the statistical and conceptual problems involved in distinguishing household and business accounts for proprietors of unincorporated businesses, any measure of proprietors' net investment must be arbitrary to some extent. For the annual estimates in the present treatment, all net income of noncorporate business is treated as withdrawn by proprietors, and net saving (retained income) of the firms is arbitrarily put at zero. Gross saving, by this device, becomes identically equal to capital consumption allowances. This means that all investment in physical and financial assets by noncorporate sectors beyond the amount of capital consumption is to be viewed as financed externally in the accounts. Such funds as are not raised from credit markets or trade debt enter the sectors as net equity investment by proprietors in the household sector. To the extent that noncorporate business has in fact an identifiable retained income, this treatment overstates household saving as a source of funds (by overstating income receipts), but it also overstates household equity flows to business as a use of funds by the same amount. Discrepancies in household or other accounts are thus unaffected by the treatment.

For the quarterly estimates, it is assumed that income withdrawals and equity inflows are more uniform over the year than business income and that in unadjusted quarterly accounts there are positive and negative retained earnings that add to zero over the year. In seasonally adjusted accounts, retained earnings are zero quarterly as well as annually.[38]

Miscellaneous financial claims consist of several forms of specific claims together with certain commercial bank floats and a variety of unallocated sources and uses of funds in sector statistics. The largest identified flows stem from international relationships of business firms with their foreign affiliates. For commercial banks these flows represent net credit positions of foreign branches with the home office; during the 1960's such branches were a major channel for Euro-currency borrowing by U.S. banks. For foreign banking agencies the figure is the total of all credits, including home office equities. Banking claims on foreign affiliates appear in another section of the tables, in holdings of foreign currencies along with foreign deposits held by other domestic sectors.

Nonbank direct investment by business in foreign affiliates appears separately in the foreign-claims section of the tables in miscellaneous claims. Such direct investments are as defined and reported in balance of payments

[38] These remarks apply to noncorporate farms, but it should be noted that the farm business sector has a small net saving equal to retained income of corporate firms.

data, and they include both U.S. investments abroad and foreign investments in the United States.

Other specific items are equity and deposit claims on the U.S. Government-related agencies and accrual items arising in the course of insurance business to such as dividend accumulations and accident and health reserves in life insurance and prepaid premiums and benefits in fire and casualty insurance.

The unallocated items arise in the course of sector accounting, when known totals of financial sources and/or uses of funds are adopted as controls for the sector's financial accounts. Any components of the totals that cannot be attributed to one of the specific transaction accounts then fall residually into the unallocated items. As a social accounting practice this is arbitrary, since unknown items can alternatively be left in a sector's discrepancy. Treating them as miscellaneous claims, however, keeps them within the bounds of financial transactions and sharpens the meaning of most sector discrepancies.

At the most simple level, the principle is illustrated by sector accounts for commercial banks, life insurance companies, savings and loan associations, and mutual savings banks. For each of these, there exists an established universe estimate of the balance sheet and financial transactions of the industry as a whole.[39] For each, the bulk of financial assets and liabilities is clearly identifiable in terms of flow of funds transaction types, but for each there is a minor remainder of assets and liabilities — mainly income receivable and expenses payable — that is left unspecified. These accrual claims are generated by the calculation of income on an accrual basis and must be included in financial accounts to maintain consistency with income statistics. When they are included, the sector discrepancy for each of these groups then becomes a measure of the statistical inconsistency between, on the one hand, the body of the income and product data from which saving and physical investment are derived and, on the other hand, the body of balance-sheet data that constitutes financial accounts. That some of the balance sheet is of unknown nature can be approached within the framework of financial statistics.

Rest of the world unallocated claims are only slightly different. Here the control totals are from balance of payments data, and preserving them maintains the discrepancy in the balance of payments statement.

The miscellaneous account also contains certain floats in commercial bank data. These floats, entered as net liabilities, are the excess of deposit and loan liabilities reported as owed to U.S. commercial banks over banks' deposit and loan assets reported as due from U.S. banks. They include the excess of member bank borrowing reported as a liability over the Federal Reserve's measure of member bank borrowing and the excess of the Federal Reserve's figure for member bank reserves over the asset item reported for banks. To some extent these floats reflect inconsistencies in classification in bank reports, but in the main they reflect items in transit that are of the same nature as mail float on demand deposits and trade credit. Preserving these floats in the bank statement maintains the meaning of the sector discrepancy discussed above. The floats reflect claims among the banking subsectors as well as within subsectors.

Sector discrepancies is the last line of the matrix, a final transaction account that closes the matrix vertically. A few sector accounts have no discrepancy entry because data are lacking to put together independently estimated totals of saving and investment. For such sectors — noncorporate business, pension funds, and most elements of finance n.e.c. — one or another source or use of funds is derived residually in the sector account as the amount

[39] Each, in fact, is defined operationally in terms of universe data available.

needed to balance saving and investment. The effect is to shift whatever discrepancy actually exists in the sector's column of data into some other account — in the first instance, the transaction account row that the residual is taken in and then perhaps into another sector through further residuals. In any social accounting system, the designer in effect chooses where to show discrepancies or whether to show them at all. For this and other reasons there may be a low correlation between actual data errors and discrepancies as recorded in the system.

For the sectors mentioned in the discussion of unallocated claims, sector discrepancies represent inconsistencies between a few major bodies of data for the sector. For governments and nonlife insurance, discrepancies are more complex because totals of financial sources and uses were built up for these sectors from identifiable components rather than broken down from clearly demarked totals with unallocated residuals.

The household sector discrepancy is the most complex in the system and in general the largest. Statistically every transaction of households is a residual, since all items in the account are derived from the books of other sectors, including wages and personal taxes. The household discrepancy is thus a final resting place for data inconsistencies throughout the system. Because much of the data in the system becomes available as coherent sector information —for example, balance sheets of financial institutions — data inconsistencies are to a large extent between sector columns of the structure, such as differences between borrower and lender records on the timing of credit flows. Most of these inconsistencies are carried along the transaction rows into the residual household account.

V FLOW OF FUNDS DATA PUBLICATIONS

The principal publication of current data for flow of funds accounts consists of quarterly tables of both seasonally adjusted and unadjusted flows. These current tables are extensions for up to five or six quarters of base data that are produced each year by a review and revision process. The base data are published as tables of year-total flows from 1946 to the present and year-end outstanding claims from 1945 to date. The base data exist in quarterly form from 1952, and these quarterly data are made available to the public as computer data tapes; they are not published as quarterly tables because of the amount of paper required. As an alternative to the computer tapes, computer printouts are supplied on request for quarterly data in selected sections of the accounts that are of particular interest to individual users.

Both the current quarterly tables and the annual tables are separate Board publications that are available on request, and mailing lists are maintained for quarterly and annual distributions. In both types of publications the tables include a full set of sector statements of saving and investment and a full set of transaction account tables that give net borrowing and lending in individual types of claims. They also include the two summary financial tables described earlier, in Section I, as well as a table showing the sector distribution of national income accounts data used in the system. Estimates of outstanding assets and liabilities are maintained on a quarterly basis and are on the computer data tapes, but they are printed only in year-end amounts in the annual publications, where they parallel the flow tables in coverage

of summaries, sectors, and transaction types. The two summary tables appear monthly in the Federal Reserve *Bulletin,* and once each year a more extended set of tables appears in the *Bulletin* to present the new and revised base data.

Current quarterly tables become available about 6 weeks after the end of the most recent quarter included in the data, but the data for that most recent quarter are very preliminary and tentative. Each issue of the quarterly tables includes revisions for the next-to-last quarter that result from the large amount of data that has become available since the quarter's first preliminary tabulation. The tables may also include revisions in earlier quarters of the current calendar year to conform to revisions in source data resulting from new benchmarks such as the semiannual call report for commercial banks. On a current quarterly basis, however, revisions are not carried back to earlier years that have already appeared in the annual publication mentioned previously, even when source data are revised for several preceding years. Such longer-run revisions are postponed until the annual revision.

Annual revisions are intended to introduce all of the new information that has become available in the preceding year. The revision includes as a routine matter new benchmarks for earlier years or—as in the case of NIA—revisions of source data based on new benchmarks, but it can also include shifts to new data sources, changes in derivation methods, improvements in table formats, or even changes in sectoring and transaction categories. Such changes can affect the accounts back to the earliest years covered, even when no new data have appeared for those periods. Annual revisions thus have more potential scope in flow of funds than in NIA, where they are usually limited to 3 years.

VI DATA SOURCES

While a full derivation statement is outside the scope of this publication, it is possible and useful to list the principal bodies of data that go into flow of funds calculations at present and to indicate briefly the availability schedules for these data.[40] The summary list in Table 8 omits many peripheral and occasional sources of information, but it indicates the statistical skeleton of the system. For some areas both benchmark and current sources are listed; where no such distinction is shown, the sources used for current information are not subject to revision except as indicated.

Table 8 has two conspicuous omissions. The first is in sources of nonfinancial data such as saving, corporate cash flows, government surplus, and capital outlays. These data come directly from the Commerce Department's national income accounts, and while the sectoring in flow of funds requires detail that does not appear in the published NIA, the Commerce Department makes all the necessary breakdowns and supplies them to the Federal Reserve. For the first preliminary calculation of a quarter, the 15-day NIA estimates are used. These figures omit corporate profits and profit tax accruals, which must therefore be estimated by the Federal Reserve for that first run.

The other major omission from the table is the household sector. Data for this sector

[40] The most recent description of calculation methods is "Flow of Funds Accounts—Data Sources and Derivations" (October 1971). This publication is available on request from the Flow of Funds Section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

TABLE 8 **SOURCES OF FINANCIAL DATA FOR FLOW OF FUNDS ACCOUNTS**

Area	Source	Availability
Federal Govt.	Monthly Treasury statement of receipts and expenditures, Treasury *Bulletin*	Monthly, about 30 days after month-end; June data subject to revision after 5 months
Federally sponsored credit agencies	Statements of condition for five groups	Monthly, quarterly, or semi-annual; 25 days
State and local govts.—		
Benchmark	Census Bureau, *Governmental Finances*	Annual, about 17 months lag
Current	Gross offerings of securities, Securities Industry Assn.	Monthly, 30 days
	Banking data	Weekly, 10 days, revised by semiannual call reports
	Treasury *Bulletin*	Monthly, 60 days
Commercial banking—		
Benchmark	Call reports	Semiannual, about 4 months
Current	Several weekly and monthly reporting systems	10 to 20 days after period end, revised twice a year
Savings and loan associations	Federal Home Loan Bank Board	Monthly reports, 25 days
Mutual savings banks	National Association of Mutual Savings Banks	Monthly reports, 45 days
	Call reports	Semiannual, 8 months
Credit unions	National Credit Union Admin.	Monthly reports, 24 days
Life insurance—		
Benchmark	*Life Insurance Fact Book*	Annual, 8 months
Current	Institute of Life Insurance, *Tally*	Monthly, 50 days, revised after 12 months
Private pension funds	SEC *Statistical Bulletin*	Quarterly, 10 weeks, revisions annually
State & local govt. retirement systems—		
Benchmark	Census Bureau, *Governmental Finances*	Annual, 17 months
Current	Census Bureau	Quarterly, 10 weeks
Other insurance—		
Benchmark	*Best's Aggregates & Averages*	Annual, 9 months
Current	Treasury *Bulletin*	Monthly, 60 days
	SEC	Quarterly, 10 weeks
Finance companies—		
Benchmark	Federal Reserve, Census of finance companies	Quinquennial, 28 months
Current	Federal Reserve monthly survey	Monthly, 35 days
Real estate investment trusts	National Association of REIT's	Quarterly, 3 months
Security brokers and dealers—		
Benchmark	SEC Annual Report	Annual, 12 months
Current	Banking data	Weekly, 10 days and monthly, 20 days
Investment companies	Investment Company Institute	Quarterly, 6 weeks and monthly, 30 days
Rest of world—		
Benchmark	BEA (Commerce Dept.), Balance of payments and International investment position	Annual, 6 to 9 months
Current	BEA, Balance of payments	Quarterly, 10 weeks
	Treasury	Monthly, 6 weeks
	Banking data	Weekly, 10 days
Corporate business—		
Benchmark	SEC, Current assets and liabilities of nonfinancial corps. revised to IRS *Statistics of Income*	Annual, 4 years
Current	Same as above	Quarterly, 10 weeks
	Also banking data (q.v.)	
	Balance of payments (q.v.)	
	SEC, Net change in corporate securities outstanding	Quarterly, 10 weeks
	Mortgage data (q.v.)	
Nonfarm noncorporate business—		
Benchmark	IRS, Business tax returns; Partnership tax returns; Corporate income tax returns	Annual or biennial, 3 to 4 years
	Census Bureau, *Census of Housing*	Approx. decennial, 2 years
Current	Banking data (q.v.)	
	Corporate data (q.v.)	
	Consumer credit statistics	

TABLE 8 **SOURCES OF FINANCIAL DATA FOR FLOW OF FUNDS ACCOUNTS**—Continued

Area	Source	Availability
Farm business—		
Benchmark	USDA, *Balance sheet of the farming sector*	Annual, 9 months
Current	Banking data (q.v.) Federally sponsored agency data (q.v.) Mortgage data (q.v.)	
Mortgages	Federal Reserve	Quarterly, with preliminary in 30 days, revisions from institutional data
Consumer credit	Federal Reserve	Monthly, 35 days, revised at various intervals
Open-market paper	Federal Reserve Bank of New York	Monthly, 20 days, revised occasionally

are almost entirely residuals from the rest of the calculation in that virtually all of the transactions and balances are measured from reports by other parties to their transactions. (The exceptions consist only of mortgage and trade debt liabilities of nonprofit organizations included in the sector.) The residual status of the sector means that a listing of data sources for all other sectors together is implicitly a listing of sources for households. Some of the chains of relationships are extremely long, but a discussion of their nature belongs in a description of the derivation methods rather than in a listing of sources.

None of the inputs listed in Table 8 are compiled explicitly or exclusively for flow of funds accounts, although the needs of the accounts have been one consideration in the design of many of the reporting forms. Rather, flow of funds accounting consists of absorbing and digesting a wide variety of financial information, both flows and balances, each part of which has been constructed in isolation from others with its own accounting procedures, timing classifications, and institutional coverage. The digestion process is intended to standardize the accounting as far as possible, so that a transaction in a financial claim appears consistently in the seller's and buyer's statements in the same transaction category, at the same value, and in the same time period.

Consistency problems can be illustrated in certain specific areas. One is in federally related securities—about $85 billion outstanding at the end of 1973—which are known collectively as the agency-issue market. These issues receive widely varying treatment in holders' balance sheets and are frequently combined with bonds of the International Bank for Reconstruction and Development and the Inter-American Development Bank that are unrelated to the Government in any direct sense. Commercial paper is another difficult section of money markets analysis, partly because no formal definition exists for this important market instrument. Because of the definition problem, no figures are reported for bank holdings of commercial paper—an important gap in estimating ownership distribution.

In consistency of timing, the major problems are again in commercial banking, where certain balance sheet items are highly volatile on a day-to-day basis, including money supply liabilities. The dating of bank balance sheets is frequently not coincident with those of the other parties to the transactions, and the differences can generate sizable discrepancies in the data. These differences occur routinely for the March and September bank balance sheets, which are always for the last Wednesdays of those 2 months rather than the last day of the month. For June and December, however, most bank data are for the last day, with the effect that timing differences cause problems between

the first and second quarters and then again between the third and fourth. Half-year data and annual data are substantially more reliable in bank-related transactions than the estimates for a single quarter.

Probably the broadest area of inconsistency is the balance of payments statement, which is used as the basic document for indicating international capital flows into and out of individual domestic financial markets such as Government securities or time deposits at banks. Data collection systems for balance of payments are separate from domestic data sources for banks, Government, and business, and they include a number of definitions of claims and of groups that are difficult to match with domestic data. As a result, the transformations used to convert the balance of payments statement into domestic financial market categories are only approximate in several cases. The result, moreover, is a "rest of the world" sector that is as alien to international payments analysts as the balance of payments statement is to domestic financial analysts.

These are a few illustrations of the statistical problems that arise in combining a variety of separate accounting systems into an integrated structure that matches payments and receipts throughout the economy. The process of adjustment unavoidably produces sector and market statements that differ to varying extents from the conventional statements used by specialists in particular financial activities. This is the price of constructing the broader system. One direction for future development of the system is a deepening of the detail in financial accounts in ways that show continuously the relationships to other presentations of the same information. However, the principal uses of the data are in studies of intersectoral and intermarket relationships, and for these the standard categories of the accounts are unavoidable even when they are somewhat unfamiliar to individual activities.

BIBLIOGRAPHY

DATA PRESENTATIONS IN PRINT, 1974

Annual total flows and year-end assets and liabilities: *Flow of Funds Accounts, 1945–72* (August 1973); *1974 Supplement—Flow of Funds, 1965–73* (September 1974).

Current quarterly data available 6 weeks after quarter-end: *Flow of Funds, Seasonally Adjusted; Flow of Funds, Unadjusted.*

EARLIER FORMS OF ACCOUNTS

"A Quarterly Presentation of Flow of Funds, Saving, and Investment," Federal Reserve *Bulletin,* vol. 45 (August 1959), p. 828.

Board of Governors of the Federal Reserve System. *Flow of Funds Accounts, 1945-62 — 1963 Supplement.* 1963.

———————————————. *Flow of Funds in the United States, 1939-1953.* 1955.

Copeland, Morris A. *A Study of Moneyflows in the United States.* New York: National Bureau of Economic Research, 1952.

"Flow of Funds Seasonally Adjusted," Federal Reserve *Bulletin,* vol. 48 (November 1962), p. 1393.

"Revision of Flow of Funds Accounts," Federal Reserve *Bulletin,* vol. 51 (November 1965), p. 1533.

OTHER

Bain, A. D. "Surveys in Applied Economics: Flow of Funds Analysis," *Economic Journal,* December 1973, pp. 1055-93.

Cohen, Jacob. "Copeland's Moneyflows After Twenty-five Years," *Journal of Economic Literature,* vol. X, no. 1 (March 1972).

Dawson, John C. "A Cyclical Model for Postwar U.S. Financial Markets," *American Economic Review, Papers and Proceedings,* vol. 8 (May 1958), pp. 145-57.

Dorrance, Graeme S. "Financial Accounting: Its Present State and Prospects," IMF *Staff Papers,* vol. 13, no. 2 (July 1966), p. 198.

Flow of Funds Approach to Social Accounting, vol. 26 of *Studies in Income and Wealth.* Princeton University Press, 1962.

Freund, William C., and Zinbarg, Edward D. "Application of Flow of Funds to Interest Rate Forecasting," *Journal of Finance,* vol. 18 (May 1963), p. 231.

Ritter, Lawrence S. "An Exposition of the Structure of the Flow of Funds Accounts," *Journal of Finance,* vol. 18 (May 1963), pp. 219-30.

Taylor, Stephen P. "Uses of Flow of Funds Accounts in the Federal Reserve System," *Journal of Finance,* vol. 18 (May 1963), pp. 249-58.

———————————. "Revision Experience in Flow of Funds Accounts," mimeo for GNP Data Improvement Project, December 12, 1973.

SUMMARY OF FLOW OF FUNDS ACCOUNTS FOR THE YEAR 1973

(Seasonally adjusted annual rates; in billions of dollars)

Transaction category	Sector	Private domestic nonfinancial sectors								Rest of the world		U.S. Govt.		Financial sectors										All sectors		Discrepancy	Natl. saving and investment	
		Households		Business		State and local govts.		Total						Total		Fed. sponsored credit agencies		Monetary auth.		Comml. banks		Pvt. nonbank finance						
		U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U		
1	Gross saving		229.6		112.6		.2		342.5		−.1		−8.2		10.5		.2		.1		4.4		5.7		344.7				1
2	Capital consumption		115.7		95.2				211.0						3.1						1.7		1.4		214.1				2
3	Net saving (1–2)		113.9		17.4		.2		131.5		−.1		−8.2		7.4		.2		.1		2.7		4.3		130.6				3
4	Gross investment (5+10)	235.6		98.8		−5.4		329.1		2.1		−7.7		13.7		.3		.1		6.0		7.4		337.3		7.4	337.6	4
5	Private capital expenditures	174.1		160.5				334.7						5.0						3.0		2.0		339.7		5.0	339.7	5
6	Consumer durables	130.3						130.3																130.3			130.3	6
7	Residential construction	37.5		19.5				57.0						.2								.2		57.2			57.2	7
8	Plant and equipment	6.3		125.7				132.0						4.8						3.0		1.8		136.8			136.8	8
9	Inventory change			15.4				15.4																15.4			15.4	9
10	Net financial investment (11–12)	61.5		−61.7		−5.4		−5.6		2.1		−7.7		8.7		.3		.1		2.9		5.4		−2.4		2.4	−2.1	10
11	Financial uses	130.8		43.9		7.9		182.6		17.4		4.3		217.8		22.0		7.8		100.2		87.7		422.1		2.4	15.3	11
12	Financial sources		69.3		105.5		13.3		188.1		15.3		12.0		209.1		21.8		7.7		97.3		82.3		424.6			17.4	12
13	Gold and official foreign exchange									*	−.2	*		−.2				−.2						−.2	−.2			13
14	Treasury currency												.4	.4				.4						.4	.4	*		14
15	Demand deposits and currency	13.1		−.3		−.3		12.5		2.5		−1.8		2.4	16.0	.1			3.4	.3	12.6	2.0		15.5	16.0	.4		15
16	Private domestic	13.1		−.3		−.3		12.5						2.4	15.0	.1			3.9	.3	11.0	2.0		14.9	15.0	.1		16
17	U.S. Government											−1.8			−1.5				−.5		−1.0			−1.8	−1.5	.3		17
18	Foreign									2.5					2.5				−.1		2.6			2.5	2.5			18
19	Time and savings accounts	67.7		1.4		7.2		76.3		2.9		−.2		.1	79.1						50.9	.1	28.1	79.1	79.1			19
20	At commercial banks	39.5		1.4		7.2		48.1		2.9		−.2		.1	50.9						50.9	.1		50.9	50.9			20
21	At savings institutions	28.2						28.2						*	28.1							*	28.1	28.1	28.1			21
22	Life insurance reserves	7.3						7.3					.1		7.2								7.2	7.3	7.3			22
23	Pension fund reserves	24.4						24.4					2.1		22.3								22.3	24.4	24.4			23
24	Interbank items													7.9	7.9			−1.6	3.5	9.5	4.4			7.9	7.9			24
25	Corporate shares	−8.2			7.4			−8.2	7.4	2.8	−.2			13.4	.8					.1	1.2	13.4	−.4	8.0	8.0			25
26	Credit market instruments	29.7	72.8	9.1	77.6	.4	12.3	39.3	162.7	.7	7.7	3.0	9.7	188.3	51.2	20.3	19.6	9.2		86.6	10.6	72.2	21.0	231.3	231.3			26
27	U.S. Government securities	20.4		−1.8		.2		18.8		.3		*	9.8	10.3	19.6	1.3	19.6	9.3		−1.3		.9		29.4	29.4			27
28	State and local obligations	4.3		−.1	1.8	.2	11.9	4.4	13.7					9.3						5.7		3.6		13.7	13.7			28
29	Corporate and foreign bonds	1.1			9.2			1.1	9.2	.1	1.0			11.3	2.3					.5	*	10.9	2.3	12.5	12.5			29
30	Home mortgages	−.9	44.2		−.9	*		−.9	43.3			−1.2	−.1	43.9	−1.5	6.4				11.0		26.5	−1.5	41.7	41.7			30
31	Other mortgages	1.4	1.4		28.4			1.4	29.8			.6		28.1	.3	4.0				8.8		15.4	.3	30.2	30.2			31
32	Consumer credit		22.9	3.3				3.3	22.9					19.7						10.6		9.0		22.9	22.9			32
33	Bank loans n.e.c.		1.8		34.0				35.8		2.8			52.1	13.5					52.1	5.1		8.4	52.1	52.1			33
34	Other loans	3.5	2.5	7.8	5.1		.3	11.3	7.9	.3	3.9	3.6		13.7	17.0	8.5		*		−.8	5.5	5.9	11.5	28.8	28.8			34
35	Security credit	−.2	−4.6					−.2	−4.6	*	−.2			−8.0	−3.4					−3.4		−4.6	−3.4	−8.2	−8.2			35
36	To brokers and dealers	−.2						−.2		*				−3.2	−3.4					−3.2			−3.4	−3.4	−3.4			36
37	To others		−4.6						−4.6		−.2			−4.8						−.2		−4.6		−4.8	−4.8			37
38	Taxes payable		2.3			.6		.6	2.3			2.2			.3				.1		.1		.1	2.8	2.7	−.1		38
39	Trade credit		.6	24.1	20.1		1.1	24.1	21.8	1.0	1.9	.3	.1	.7								.7		26.0	23.7	−2.3		39
40	Equity in noncorporate business	−4.4			−4.4			−4.4	−4.4															−4.4	−4.4			40
41	Miscellaneous claims	1.5	.4	9.6	2.5			11.1	2.9	7.6	6.3	1.0	−.4	12.8	27.8	1.7	2.2		.8	7.2	17.5	.9	7.4	32.4	36.7	4.3		41
42	Sector discrepancies (1–4)	−6.0		13.8		5.6		13.4		−2.2		−.5		−3.3		*				−1.6		−1.7		7.4		7.4	7.2	42

FINANCIAL ASSETS AND LIABILITIES, DECEMBER 31, 1973

(Amounts outstanding in billions of dollars)

(A) All sectors

Transaction category	Sector	Private domestic nonfinancial sectors								Rest of the world		U.S. Government		Financial sectors								Total[1]		Discrepancies	
		Households		Business		State and local governments		Total						Total		Federally sponsored credit agencies		Monetary authority		Commercial banks		Private nonbank finance					
		A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	
1	Total assets	2302.2		528.0		98.5		2928.8		200.8		102.9		2041.8		79.0		105.5		755.2		1102.0		5274.3		26.2	1
2	Total liabilities		661.1		925.1		202.4		1788.6		194.2		408.6		1926.5		77.5		105.7		714.5		1028.8		4317.9		2
3	Gold									47.3		2.3		11.6				11.6						61.1			3
4	Official foreign exchange										•	•		•				•						•	•		4
5	IMF position										.6	.6												.6	.6		5
6	Treasury currency												7.4	9.1				9.1						9.1	7.4	−1.7	6
7	Demand dep. and currency	170.2		55.4		14.7		240.3		10.6		12.6		19.4	298.5	.3			65.0	1.0	233.5	18.2		283.0	298.5	15.4	7
8	Private domestic	170.2		55.4		14.7		240.3						19.4	275.1	.3			61.8	1.0	213.3	18.2		259.8	275.1	15.4	8
9	U.S. Government											12.6			12.7				2.9		9.9			12.6	12.7	.1	9
10	Foreign									10.6					10.6				.3		10.3			10.6	10.6		10
11	Time and savings accounts	635.6		21.5		44.4		701.5		12.8		.4		1.2	715.9						367.7	1.2	348.2	715.9	715.9		11
12	At commercial banks	287.8		21.5		44.4		353.7		12.8		.4		.8	367.7						367.7	.8		367.7	367.7		12
13	At savings institutions	347.8						347.8						.4	348.2							.4	348.2	348.2	348.2		13
14	Life insurance reserves	150.3						150.3					7.6		142.7								142.7	150.3	150.3		14
15	Pension fund reserves	307.8						370.8					35.4		272.4								272.4	307.8	307.8		15
16	Interbank claims													57.1	57.1			4.4	37.8	52.8	19.4			57.1	57.1		16
17	Corporate shares [2]	744.4						744.4		24.8				198.7	46.5					.7		198.0	46.5	968.0	46.5		17
18	Other credit mkt. instr.	256.4	634.8	74.5	679.2	35.7	193.5	366.5	1507.5	61.5	68.5	65.2	354.4	1646.3	209.1	75.9	68.9	80.6		653.5	23.8	836.4	116.4	2139.6	2139.6		18
19	U.S. Govt. securities [3]	105.3		5.4		31.0		141.7		54.8		•	353.1	225.6	68.9	4.0	68.9	80.5		88.8		52.4		422.1	422.1		19
20	State & local govt. oblig.	50.5		4.0	2.4	2.5	187.6	57.1	190.0					132.9						95.7		37.3		190.0	190.0		20
21	Corp. & fgn. bonds	56.8			207.5			56.8	207.5	2.3	16.6			204.9	39.9					6.2	4.1	198.7	35.8	264.0	264.0		21
22	Home mortgages	10.1	379.0		5.3	2.2		12.3	384.4			3.9	1.3	374.1	4.7	31.6				68.0		274.6	4.7	390.3	390.3		22
23	Other mortgages	28.0	24.5		223.4			28.0	247.9			4.8		216.5	1.5	15.4				51.1		150.0	1.5	249.3	249.3		23
24	Consumer credit		180.5	31.9				31.9	180.5					148.6						81.2		67.4		180.5	180.5		24
25	Bank loans n.e.c.		24.7		180.5				205.2		13.0			255.9	37.6					255.9	8.0		29.6	255.9	255.9		25
26	Other loans	5.7	26.1	33.1	60.1		5.9	38.8	92.0	4.4	38.9	56.5		87.7	56.5	24.9		.1		6.7	11.7	56.0	44.8	187.4	187.4		26
27	Security credit	4.8	13.1					4.8	13.1	.3	.2			24.2	16.0					15.1		9.1	16.0	29.3	29.3		27
28	To brokers and dealers	4.8						4.8		.3				10.8	16.0					10.8			16.0	16.0	16.0		28
29	To others		13.1						13.1		.2			13.4						4.3		9.1		13.4	13.4		29
30	Taxes payable				15.6	3.7		3.7	15.6			11.9			3.0				.3		.8		1.8	15.6	18.5	2.9	30
31	Trade credit [4]		6.8	240.9	212.6		8.9	240.9	228.3	8.3	9.0	4.3	3.5	6.5								6.5		260.0	240.9	−19.1	31
32	Miscellaneous	32.8	6.4	135.8	17.7			168.6	24.1	35.1	115.8	5.4	.3	67.7	165.3	2.8	8.6		2.7	32.2	69.3	32.7	84.7	276.9	305.5	28.6	32

For notes see facing page.

FINANCIAL ASSETS AND LIABILITIES, December 31, 1973—Continued

(Amounts outstanding in billions of dollars)

(B) Private nonbank financial institution

Transaction category	Sector	Total		Savings and loan assns.		Mutual savings banks		Credit unions		Life insurance cos.		Private pension funds		State and local govt. retirement funds		Other insurance cos.		Finance cos.		Real estate investment trusts		Open-end investment cos.		Security brokers and dealers		
		A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	
1	Total assets	1102.0		272.4		106.6		24.6		244.6		133.3		81.6		68.8		88.4		17.0		46.5		18.4		1
2	Total liabilities		1028.8		255.3		99.0		24.6		231.5		133.3		81.6		46.1		80.4		14.4		46.5		16.1	2
3	Demand deposits and currency	18.2		3.4		1.2		1.0		2.1		2.3		1.0		1.5		3.5				1.2		1.1		3
4	Time and savings accounts	1.2	348.2		227.3	.8	96.3	.4	24.6																	4
5	At commercial banks	.8				.8																				5
6	At savings institutions	.4	348.2		227.3		96.3	.4	24.6																	6
7	Life insurance reserves		142.7								142.7															7
8	Pension fund reserves		272.4								57.5		133.3		81.6											8
9	Corporate shares[2]	198.0	46.5			4.0				25.9		89.2		18.6		19.6						38.3	46.5	2.4		9
10	Other credit mkt. instr.	836.4	116.4	257.5	22.0	98.2		23.2		204.6		36.8		62.1		41.1		84.9	80.1	15.1	14.4	7.0		5.8		10
11	U.S. Govt. securities[3]	52.4		22.8		7.1		2.6		4.4		4.3		4.6		3.4						1.2		2.0		11
12	State & local govt. secs.	37.3				.9				3.4				1.4		30.4								1.1		12
13	Corp. and fgn. bonds	198.7	35.8			13.1				92.5		29.8		49.4		7.2			33.9		1.9	4.2		2.6		13
14	Home mortgages	274.6	4.7	188.1	4.7	44.2		1.0		22.0		2.7						12.5		4.1						14
15	Other mortgages	150.0	1.5	44.1		29.0				59.2				6.7		.2				11.0	1.5					15
16	Consumer credit	67.4		2.6		1.7		19.6										43.4								16
17	Bank loans n.e.c.		29.6		2.1														20.5		7.0					17
18	Other loans	56.0	44.8		15.1	2.1				23.2								29.0	25.7		4.0	1.6				18
19	Security credit	9.1	16.0																					9.1	16.0	19
20	To brokers and dealers		16.0																						16.0	20
21	Other	9.1																						9.1		21
22	Taxes payable		1.8		.2						.8						.3		.4						.2	22
23	Trade credit	6.5														6.5										23
24	Miscellaneous	32.7	84.7	11.5	5.8	2.5	2.6			12.0	30.5	4.9					45.8			1.9						24

[1] Excess of total assets over liabilities consists of gold (row 3) and corporate shares (row 17) other than investment co. shares less total discrepancies (row 1), which are not included in sector assets.

[2] Assets shown at market value; nonbank finance liability is redemption value of shares of open-end investment companies. No specific liability is attributed to issuers of stocks other than open-end investment companies for amounts outstanding.

[3] Includes savings bonds, other nonmarketable debt held by the public, issues by agencies in the budget (CCC, Export-Import Bank, GNMA, TVA, FHA) and by sponsored credit agencies in financial sectors, and loan participation certificates. Postal savings system deposits are included in line 32.

[4] Business asset is corporate only. Noncorporate trade credit is deducted in liability total to conform to quarterly flow tables.

TOTAL FUNDS RAISED IN CREDIT MARKETS BY NONFINANCIAL SECTORS

ANNUAL FLOWS, 1959 + 1965-73

ANNUAL FLOWS, 1959 + 1965-73

		1959	1965	1966	1967	1968	1969	1970	1971	1972	1973	
	I. FUNDS RAISED, BY TYPE AND SECTOR											
	TOTAL FUNDS RAISED											
1	BY NONFINANCIAL SECTORS	52.825	69.892	67.900	82.433	95.944	91.829	98.233	147.402	169.394	187.365	1
2	EXCLUDING EQUITIES	50.552	69.622	66.894	79.986	95.948	87.956	92.471	135.940	158.884	180.145	2
3	U.S. GOVERNMENT	7.089	1.768	3.633	13.005	13.398	-3.646	12.802	25.500	17.317	9.714	3
4	PUBLIC DEBT SECURITIES	7.423	1.301	2.340	8.913	10.319	-1.277	12.886	26.023	13.919	7.739	4
5	AGENCY ISSUES + MORTGAGES	-334	467	1.293	4.092	3.079	-2.369	-84	-523	3.398	1.975	5
6	ALL OTHER NONFINANCIAL SECTORS	45.736	68.124	64.267	69.428	82.546	95.475	85.431	121.902	152.077	177.651	6
7	CORPORATE EQUITIES	2.273	270	1.006	2.447	-4	3.873	5.762	11.462	10.510	7.220	7
8	DEBT INSTRUMENTS	43.463	67.854	63.261	66.981	82.550	91.602	79.669	110.440	141.567	170.431	8
9	DEBT CAPITAL INSTRUMENTS	28.312	38.845	38.901	45.689	50.592	50.609	57.605	84.162	94.851	97.050	9
10	S. + L. GOVERNMENT SECS.	6.280	7.345	5.647	7.769	9.516	9.924	11.246	17.561	14.379	13.709	10
11	CORPORATE + FOREIGN BONDS	3.428	5.852	10.959	15.874	13.977	13.003	20.630	19.747	13.213	10.150	11
12	MORTGAGES	18.604	25.648	22.295	22.046	27.099	27.682	25.729	46.854	67.259	73.191	12
13	HOME MORTGAGES	12.720	15.382	11.698	11.491	15.055	15.656	12.805	26.091	39.630	43.344	13
14	OTHER RESIDENTIAL	1.820	3.618	3.124	3.603	3.371	4.739	5.823	8.772	10.268	8.417	14
15	COMMERCIAL	3.072	4.415	5.691	4.676	5.431	5.345	5.326	9.980	14.781	17.047	15
16	FARM	992	2.233	1.782	2.276	2.242	1.942	1.775	2.011	2.580	4.383	16
17	OTHER PRIVATE CREDIT	15.151	29.009	24.360	21.292	31.958	40.993	22.064	26.278	46.716	73.381	17
18	BANK LOANS N.E.C.	6.438	14.070	10.746	9.500	13.127	15.266	6.355	9.313	21.777	38.626	18
19	CONSUMER CREDIT	6.415	9.615	6.355	4.545	9.987	10.376	6.017	11.231	19.170	22.922	19
20	OPEN-MARKET PAPER	-386	-321	1.036	2.126	1.621	3.334	3.765	-894	-1.565	1.818	20
21	OTHER	2.684	5.645	6.223	5.121	7.223	12.017	5.927	6.628	7.334	10.015	21
22	BY BORROWING SECTOR:	45.736	68.124	64.267	69.428	82.546	95.475	85.431	121.902	152.077	177.651	22
23	DEBT INSTRUMENTS	43.463	67.854	63.261	66.981	82.550	91.602	79.669	110.440	141.567	170.431	23
24	FOREIGN	639	2.416	1.772	3.978	2.674	3.215	2.671	4.617	4.698	7.728	24
25	S. + L. GOVERNMENTS	6.465	7.658	6.274	7.944	9.826	10.670	11.323	17.840	14.176	12.258	25
26	HOUSEHOLDS	21.524	28.319	22.672	19.318	29.954	31.717	23.374	39.827	63.125	72.815	26
27	NONFINANCIAL BUSINESS	14.835	29.461	32.543	35.741	40.096	46.000	42.301	48.156	59.568	77.630	27
28	FARM	1.932	3.290	3.110	3.622	2.832	3.176	3.249	4.098	4.857	8.617	28
29	NONFARM NONCORPORATE	2.367	5.749	5.416	4.957	5.559	7.359	5.273	8.700	10.358	9.282	29
30	CORPORATE	10.536	20.422	24.017	27.162	31.705	35.465	33.779	35.358	44.353	59.731	30
31	CORPORATE EQUITIES	2.273	270	1.006	2.447	-4	3.873	5.762	11.462	10.510	7.220	31
32	FOREIGN	195	298	-253	50	155	467	68	27	-412	-200	32
33	CORPORATE BUSINESS	2.078	-28	1.259	2.397	-159	3.406	5.694	11.435	10.922	7.420	33
	TOTALS INCLUDING EQUITIES											
34	FOREIGN	834	2.714	1.519	4.028	2.829	3.682	2.739	4.644	4.286	7.528	34
35	NONFINANCIAL BUSINESS	16.913	29.453	33.802	38.138	39.937	49.406	47.995	59.591	70.490	85.050	35
36	CORPORATE	12.614	20.394	25.276	29.559	31.546	38.871	39.473	46.793	55.275	67.151	36
37	MEMO: U.S. GOVT. CASH BALANCE	612	-1.011	-399	1.164	-1.135	401	2.754	3.194	-323	-1.675	37
	TOTALS NET OF CHANGES IN U.S. GOVT. CASH BALANCES—											
38	TOTAL FUNDS RAISED	52.213	70.903	68.299	81.269	97.079	91.428	95.479	144.208	169.717	189.040	38
39	BY U.S. GOVERNMENT	6.477	2.779	4.032	11.041	14.533	-4.047	10.048	22.306	17.640	11.389	39
	PRIVATE DOMESTIC NET INVESTMENT AND BORROWING IN CREDIT MARKETS											
	TOTAL, HOUSEHOLDS + BUSINESS											
1	TOTAL CAPITAL OUTLAYS (1)	118.582	173.126	190.638	188.062	207.588	226.715	224.220	253.525	293.035	334.657	1
2	CAPITAL CONSUMPTION (2)	79.649	110.303	118.468	128.362	140.388	154.304	166.017	178.945	194.318	210.976	2
3	NET PHYSICAL INVESTMENT	38.933	62.823	72.170	59.700	67.200	72.411	58.203	74.580	98.717	123.681	3
4	NET FUNDS RAISED	38.437	57.752	56.474	57.456	69.891	81.123	71.369	99.418	133.615	157.865	4
5	EXCESS NET INVESTMENT (3)	496	5.071	15.696	2.244	-2.691	-8.712	-13.166	-24.838	-34.898	-34.184	5
	TOTAL BUSINESS											
6	TOTAL CAPITAL OUTLAYS	50.313	83.576	96.441	93.427	97.930	108.876	108.042	117.127	134.264	160.525	6
7	CAPITAL CONSUMPTION	35.154	50.450	54.162	58.452	63.231	69.470	74.579	80.323	88.231	95.235	7
8	NET PHYSICAL INVESTMENT	15.159	33.126	42.279	34.975	34.699	39.406	33.463	36.804	46.033	65.290	8
9	NET DEBT FUNDS RAISED	14.835	29.461	32.543	35.741	40.096	46.000	42.301	48.156	59.568	77.630	9
10	CORPORATE EQUITY ISSUES	2.078	-28	1.259	2.397	-159	3.406	5.694	11.435	10.922	7.420	10
11	EXCESS NET INVESTMENT (3)	-1.754	3.693	8.477	-3.163	-5.238	-10.000	-14.532	-22.787	-24.457	-19.760	11
	CORPORATE BUSINESS											
12	TOTAL CAPITAL OUTLAYS	36.667	62.282	76.519	71.377	75.006	83.670	84.049	87.162	102.473	121.509	12
13	CAPITAL CONSUMPTION	22.870	35.226	38.202	41.463	45.104	49.790	53.629	57.650	63.028	67.464	13
14	NET PHYSICAL INVESTMENT	13.797	27.056	38.317	29.914	29.902	33.880	30.420	29.512	39.445	54.045	14
15	NET DEBT FUNDS RAISED	10.536	20.422	24.017	27.162	31.705	35.465	33.779	35.358	44.353	59.731	15
16	CORPORATE EQUITY ISSUES	2.078	-28	1.259	2.397	-159	3.406	5.694	11.435	10.922	7.420	16
17	EXCESS NET INVESTMENT (3)	1.183	6.662	13.041	355	-1.644	-4.991	-9.053	-17.281	-15.830	-13.106	17
	HOUSEHOLDS											
18	TOTAL CAPITAL OUTLAYS	68.269	89.550	94.197	94.635	109.658	117.839	116.178	136.398	158.771	174.132	18
19	CAPITAL CONSUMPTION	44.495	59.853	64.306	69.910	77.157	84.834	91.438	98.622	106.087	115.741	19
20	NET PHYSICAL INVESTMENT	23.774	29.697	29.891	24.725	32.501	33.005	24.740	37.776	52.684	58.391	20
21	NET FUNDS RAISED	21.524	28.319	22.672	19.318	29.954	31.717	23.374	39.827	63.125	72.815	21
22	EXCESS NET INVESTMENT (3)	2.250	1.378	7.219	5.407	2.547	1.288	1.366	-2.051	-10.441	-14.424	22
	OF WHICH:											
23	HOUSES LESS HOME MORTGAGES	3.913	-3.278	-1.133	-1.214	-1.836	-2.796	-1.851	-6.567	-14.149	-17.029	23
24	DURABLES LESS CONS. CREDIT	-915	5.176	8.796	7.889	6.672	5.855	4.537	5.222	5.183	4.136	24
25	NONPROFIT P+E LESS MORTGAGES	987	1.777	1.964	1.940	1.918	2.222	2.196	2.504	2.635	2.746	25
26	LESS: UNALLOCATED DEBT	1.735	2.297	2.408	3.208	4.207	3.993	3.516	3.210	4.110	4.277	26

(1) CAPITAL OUTLAYS ARE TOTALS FOR RESIDENTIAL AND NONRESIDENTIAL FIXED CAPITAL, NET CHANGE IN INVENTORIES, AND CONSUMER DURABLES, EXCEPT OUTLAYS BY FINANCIAL BUSINESS.

(2) CAPITAL CONSUMPTION INCLUDES AMOUNTS FOR CONSUMER DURABLES AND EXCLUDES FINANCIAL BUSINESS CAPITAL CONSUMPTION.

(3) EXCESS OF NET INVESTMENT OVER NET FUNDS RAISED.

MONEY AMOUNTS ARE IN MILLIONS OF DOLLARS.

DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

ANNUAL FLOWS, 1959 + 1965-73

ANNUAL FLOWS, 1959 + 1965-73

	1959	1965	1966	1967	1968	1969	1970	1971	1972	1973		
											TOTAL FUNDS ADVANCED IN CREDIT MARKETS	
1	50.552	69.622	66.894	79.986	95.948	87.956	92.471	135.940	158.884	180.145	TO NONFINANCIAL SECTORS	1
											BY PUBLIC AGENCIES + FOREIGN	
2	7.192	8.889	11.942	11.258	12.192	15.686	28.114	41.684	18.326	33.202	TOTAL NET ADVANCES	2
3	3.418	3.707	3.394	6.809	3.381	697	15.876	33.822	8.410	10.952	U.S. GOVERNMENT SECURITIES	3
4	1.895	393	2.776	2.063	2.811	4.632	5.725	5.656	5.228	7.607	RESIDENTIAL MORTGAGES	4
5	836	672	938	-2.549	873	4.030	1.326	-2.679	43	7.168	FHLB ADVANCES TO S+L'S	5
6	1.043	4.117	4.834	4.935	5.127	6.327	5.187	4.885	4.645	7.475	OTHER LOANS + SECURITIES	6
											BY AGENCY:	
7	1.778	2.773	4.911	4.552	4.937	2.876	2.833	3.236	2.622	2.982	U.S. GOVERNMENT	7
8	2.224	2.231	5.117	-93	3.241	8.870	10.030	3.167	7.030	20.255	SPONSORED CREDIT AGENCIES	8
9	315	3.828	3.479	4.801	3.719	4.223	4.981	8.866	271	9.227	MONETARY AUTHORITIES	9
10	2.875	57	-1.565	1.998	295	-283	10.270	26.415	8.403	738	FOREIGN	10
11	2.274	2.114	4.825	-621	3.476	8.783	8.234	3.844	6.182	19.589	AGENCY BORROWING NOT INCLUDED IN LINE 1	11
											PRIVATE DOMESTIC FUNDS ADVANCED	
12	45.634	62.847	59.777	68.107	87.232	81.053	72.591	98.100	146.740	166.532	TOTAL NET ADVANCES	12
13	5.551	-49	5.359	5.705	13.312	4.804	5.235	-4.406	15.175	18.422	U.S. GOVERNMENT SECURITIES	13
14	6.280	7.345	5.647	7.769	9.516	9.924	11.246	17.561	14.379	13.709	STATE + LOCAL OBLIGATIONS	14
15	3.484	5.999	10.339	16.002	13.790	12.467	19.959	19.475	13.150	10.053	CORPORATE + FOREIGN BONDS	15
16	12.960	18.626	11.984	12.968	15.549	15.682	12.828	29.135	44.584	44.083	RESIDENTIAL MORTGAGES	16
17	18.195	31.598	27.386	23.114	35.938	42.206	24.649	33.656	59.495	87.433	OTHER MORTGAGES + LOANS	17
18	836	672	938	-2.549	873	4.030	1.326	-2.679	43	7.168	LESS: FHLB ADVANCES	18
											PRIVATE FINANCIAL INTERMEDIATION	
											CREDIT MARKET FUNDS ADVANCED	
19	29.210	62.879	45.362	63.465	75.326	55.344	74.871	110.661	153.359	158.843	BY PRIVATE FINANCIAL INSTS.	19
20	4.812	28.711	17.465	35.869	38.741	18.247	35.068	50.592	70.543	86.600	COMMERCIAL BANKING	20
21	10.714	14.336	7.940	15.040	15.603	14.459	16.878	41.417	49.264	35.081	SAVINGS INSTITUTIONS	21
22	9.952	13.600	15.496	12.863	14.032	12.708	17.267	13.332	17.722	22.132	INSURANCE + PENSION FUNDS	22
23	3.732	6.232	4.461	-307	6.950	9.930	5.658	5.320	15.830	15.030	OTHER FINANCE	23
24	29.210	62.879	45.362	63.465	75.326	55.344	74.871	110.661	153.359	158.843	SOURCES OF FUNDS	24
25	10.969	38.351	22.450	49.968	45.914	2.561	63.164	90.348	97.531	84.875	PRIVATE DOMESTIC DEPOSITS	25
26	3.837	7.920	3.162	-394	8.451	18.769	-278	9.344	20.330	31.598	CREDIT MARKET BORROWING	26
27	14.404	16.608	19.750	13.891	20.961	34.014	11.985	10.969	35.498	42.370	OTHER SOURCES	27
28	-660	787	3.655	2.271	2.603	9.333	-8.455	-3.238	5.192	6.466	FOREIGN FUNDS	28
29	800	-985	-533	242	-224	44	2.884	2.231	706	-1.010	TREASURY BALANCES	29
30	8.864	11.410	13.638	11.989	11.393	10.792	13.126	9.077	13.071	16.742	INSURANCE + PENSION RES.	30
31	5.400	5.396	2.990	-611	7.189	13.845	4.430	2.899	16.529	20.172	OTHER, NET	31
											PRIVATE DOMESTIC NONFINANCIAL INVESTORS	
32	20.261	7.888	17.577	4.248	20.357	44.478	-2.558	-3.217	13.711	39.287	DIRECT LENDING IN CR. MARKETS	32
33	13.122	2.884	8.351	-1.404	8.058	17.012	-9.028	-13.956	1.606	18.753	U.S. GOVERNMENT SECURITIES	33
34	3.986	2.613	2.596	-2.534	-233	8.694	-1.218	586	2.136	4.433	STATE + LOCAL OBLIGATIONS	34
35	258	984	1.982	4.599	4.651	6.616	10.680	9.318	5.185	1.059	CORPORATE + FOREIGN BONDS	35
36	-202	1.529	2.327	1.903	5.796	10.161	-4.407	-633	3.974	11.279	COMMERCIAL PAPER	36
37	3.097	-122	2.321	1.684	2.085	1.995	1.415	1.458	810	3.763	OTHER	37
38	11.604	40.469	24.428	52.080	48.346	5.409	66.645	93.740	101.943	88.816	DEPOSITS + CURRENCY	38
39	10.515	32.718	20.342	39.324	33.855	-2.285	56.102	81.009	85.247	76.251	TIME + SAVINGS ACCOUNTS	39
40	0	3.568	-229	4.305	3.516	-13.672	15.018	7.664	8.710	18.548	LARGE NEGOTIABLE CD'S	40
41	2.030	15.984	13.278	18.290	17.454	3.356	24.155	32.934	30.634	29.541	OTHER AT COMMERCIAL BANKS	41
42	8.485	13.166	7.293	16.729	12.885	8.031	16.929	40.411	45.903	28.162	AT SAVINGS INSTITUTIONS	42
43	1.089	7.751	4.086	12.756	14.491	7.694	10.543	12.731	16.696	12.565	MONEY	43
44	454	5.633	2.108	10.644	12.059	4.846	7.062	9.339	12.284	8.624	DEMAND DEPOSITS	44
45	635	2.118	1.978	2.112	2.432	2.848	3.481	3.392	4.412	3.941	CURRENCY	45
											TOTAL OF CREDIT MARKET INSTRU-	
46	31.865	48.357	42.005	56.328	68.703	49.887	64.087	90.523	115.654	128.103	MENTS, DEPOSITS + CURRENCY	46
47	14.226	12.767	17.852	14.074	12.706	17.833	30.403	30.663	11.534	18.430	PUBLIC SUPPORT RATE (%)	47
48	64.009	100.050	75.885	93.184	86.351	68.281	103.140	112.804	104.510	95.382	PVT. FINAN. INTERMEDIATION (%)	48
49	2.215	844	2.090	4.269	2.898	9.050	1.815	23.177	13.595	7.204	TOTAL FOREIGN FUNDS	49
											CORPORATE EQUITIES NOT INCLUDED ABOVE	
1	4.305	3.514	4.753	5.477	6.403	9.988	10.356	14.768	12.936	8.032	TOTAL NET ISSUES	1
2	1.765	3.221	3.677	2.957	5.798	4.787	2.629	1.145	-696	-1.586	MUTUAL FUND SHARES	2
3	2.540	293	1.076	2.520	605	5.201	7.727	13.623	13.632	9.618	OTHER EQUITIES	3
4	3.354	6.074	5.994	9.090	10.808	12.219	11.388	19.266	16.034	13.446	ACQ. BY FINANCIAL INSTITUTIONS	4
5	951	-2.560	-1.241	-3.613	-4.405	-2.231	-1.032	-4.498	-3.098	-5.414	OTHER NET PURCHASES	5

MONEY AMOUNTS ARE IN MILLIONS OF DOLLARS.

CREDIT MARKET DEBT OWED BY NONFINANCIAL SECTORS

YEAR-END OUTSTANDINGS, 1959 + 1965-73

YEAR-END OUTSTANDINGS, 1959 + 1965-73

		1959	1965	1966	1967	1968	1969	1970	1971	1972	1973	
1	TOTAL CREDIT MARKET DEBT OUTSTANDING OWED BY NONFINANCIAL SECTORS	708.801	1037.588	1102.800	1181.622	1276.882	1363.881	1456.650	1592.269	1751.444	1930.415	1
2	U.S. GOVERNMENT	237.981	262.178	265.811	278.816	292.214	288.568	301.370	327.370	344.687	354.401	2
3	PUBLIC DEBT SECURITIES	236.185	257.663	260.003	268.916	279.235	277.958	290.844	316.867	330.786	338.525	3
4	AGENCY ISSUES + MORTGAGES	1.796	4.515	5.808	9.900	12.979	10.610	10.526	10.503	13.901	15.876	4
5	ALL OTHER NONFINANCIAL SECTORS	470.820	775.410	836.989	902.806	984.668	1075.313	1155.280	1264.899	1406.757	1576.014	5
6	DEBT CAPITAL INSTRUMENTS	330.874	529.952	568.856	613.432	663.689	713.286	771.459	855.475	950.512	1046.348	6
7	S. + L. GOVERNMENT SECS.	65.486	100.278	105.925	113.703	123.219	133.143	144.389	161.950	176.329	190.038	7
8	CORPORATE + FOREIGN BONDS	76.710	107.965	118.567	133.461	147.277	159.268	180.466	200.767	214.166	224.092	8
9	MORTGAGES	188.678	321.709	344.364	366.268	393.193	420.875	446.604	492.758	560.017	632.218	9
10	HOME MORTGAGES	128.714	208.894	220.592	232.083	247.138	262.794	275.599	301.379	341.009	384.353	10
11	OTHER RESIDENTIAL	18.668	37.183	40.307	43.910	47.280	52.019	57.843	66.616	76.883	85.300	11
12	COMMERCIAL	29.195	54.457	60.148	64.824	71.256	76.601	81.926	91.905	106.687	123.734	12
13	FARM	12.101	21.175	23.317	25.451	27.519	29.461	31.236	32.858	35.438	38.831	13
14	OTHER PRIVATE CREDIT	139.946	245.458	268.133	289.374	320.979	362.027	383.821	409.424	456.245	529.666	14
15	BANK LOANS N.E.C.	53.387	93.834	104.579	114.078	127.205	142.538	148.785	158.099	179.619	218.245	15
16	CONSUMER CREDIT	51.544	89.883	96.238	100.783	110.770	121.146	127.163	138.394	157.564	180.486	16
17	OPEN-MARKET PAPER	1.466	4.189	5.225	7.351	8.972	12.306	16.071	15.177	13.612	15.430	17
18	OTHER	33.549	57.552	62.091	67.162	74.032	86.037	91.802	97.754	105.450	115.505	18
19	BY BORROWING SECTOR:	470.820	775.410	836.989	902.806	984.668	1075.313	1155.280	1264.899	1406.757	1576.014	19
20	FOREIGN	21.075	38.872	39.900	42.849	45.309	47.500	50.585	55.758	61.004	68.548	20
21	STATE + LOCAL GOVERNMENTS	66.521	103.055	109.329	117.282	127.212	137.882	149.205	167.045	181.221	193.479	21
22	HOUSEHOLDS	198.360	333.213	354.686	374.003	404.293	435.900	459.274	498.793	562.018	634.833	22
23	NONFINANCIAL BUSINESS	184.864	300.270	333.074	368.672	407.854	454.031	496.216	543.303	602.514	679.154	23
24	FARM	18.934	32.299	35.769	39.249	41.907	45.083	48.332	52.041	56.898	64.525	24
25	NONFARM NONCORPORATE	23.486	46.195	51.565	56.521	62.079	69.460	74.722	83.424	93.779	103.064	25
26	CORPORATE	142.444	221.776	245.740	272.902	303.868	339.488	373.162	407.838	451.837	511.565	26

MONEY AMOUNTS ARE IN MILLIONS OF DOLLARS.

CREDIT MARKET SUPPLY OF FUNDS

DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

YEAR-END OUTSTANDINGS, 1959 + 1965-73

YEAR-END OUTSTANDINGS, 1959 + 1965-73

	1959	1965	1966	1967	1968	1969	1970	1971	1972	1973		
											TOTAL CREDIT MARKET DEBT CLAIMS	
1	708.801	1037.588	1102.800	1181.622	1276.882	1363.881	1456.650	1592.269	1751.444	1930.415	AGAINST NONFINANCIAL SECTORS	1
											BY PUBLIC AGENCIES + FOREIGN	
2	73.579	112.826	124.187	135.194	146.772	161.467	190.004	231.327	250.262	283.183	TOTAL HELD	2
3	37.975	55.936	59.330	66.139	69.520	70.217	86.093	119.915	128.325	139.277	U.S. GOVERNMENT SECURITIES	3
4	7.160	7.445	10.221	12.284	15.095	19.727	25.452	31.108	36.336	43.943	RESIDENTIAL MORTGAGES	4
5	2.134	5.997	6.935	4.386	5.259	9.289	10.615	7.936	7.979	15.147	FHLB ADVANCES TO S+L'S	5
6	26.310	43.448	47.701	52.385	56.898	62.234	67.844	72.368	77.622	84.816	OTHER LOANS + SECURITIES	6
											BY AGENCY:	
7	25.677	37.672	42.049	46.551	51.135	53.999	56.670	59.230	62.214	65.236	U.S. GOVERNMENT	7
8	9.908	18.265	23.382	23.289	26.530	35.400	45.430	48.597	55.627	75.882	SPONSORED CREDIT AGENCIES	8
9	26.728	40.996	44.475	49.276	52.995	57.218	62.199	71.065	71.336	80.563	MONETARY AUTHORITIES	9
10	11.266	15.893	14.281	16.078	16.112	14.850	25.705	52.435	61.085	61.502	FOREIGN	10
11	7.259	14.182	19.007	18.386	21.862	30.645	38.879	43.175	49.357	68.946	AGENCY DEBT NOT IN LINE 1	11
											PRIVATE DOMESTIC HOLDINGS	
12	642.481	938.944	997.620	1064.814	1151.972	1233.059	1305.525	1404.117	1550.539	1716.178	TOTAL PRIVATE HOLDINGS	12
13	206.279	218.243	223.602	229.307	242.619	247.423	252.658	249.204	264.379	282.801	U.S. GOVERNMENT SECURITIES	13
14	65.486	100.278	105.925	113.703	123.219	133.143	144.389	161.950	176.329	190.038	STATE + LOCAL OBLIGATIONS	14
15	76.176	107.281	117.310	132.533	146.423	158.857	178.799	198.513	211.602	221.752	CORPORATE + FOREIGN BONDS	15
16	141.069	240.477	252.461	265.429	280.977	296.659	309.488	338.313	382.896	426.979	RESIDENTIAL MORTGAGES	16
17	155.605	278.662	305.257	328.228	363.993	406.266	430.806	464.073	523.312	609.755	OTHER MORTGAGES + LOANS	17
18	2.134	5.997	6.935	4.386	5.259	9.289	10.615	7.936	7.979	15.147	LESS: FHLB ADVANCES	18
											PRIVATE FINANCIAL INTERMEDIATION	
											CREDIT MARKET CLAIMS HELD BY	
19	463.352	752.347	796.916	860.339	935.507	991.882	1066.646	1177.636	1330.996	1489.839	PRIVATE FINAN. INSTITUTIONS	19
20	188.501	300.938	317.253	353.122	391.863	410.681	445.749	496.341	566.884	653.484	COMMERCIAL BANKING	20
21	99.783	183.013	191.311	206.209	221.653	236.046	252.816	294.533	343.797	378.878	SAVINGS INSTITUTIONS	21
22	150.144	219.062	234.558	247.521	261.553	274.261	291.528	304.860	322.582	344.714	INSURANCE + PENSION FUNDS	22
23	24.924	49.334	53.794	53.487	60.438	70.894	76.553	81.902	97.733	112.763	OTHER FINANCE	23
24	463.352	752.347	796.916	860.339	935.507	991.882	1066.646	1177.636	1330.996	1489.839	SOURCES OF FUNDS	24
25	265.810	439.895	461.195	511.038	556.875	559.557	622.781	713.129	810.660	895.402	PRIVATE DOMESTIC DEPOSITS	25
26	20.142	48.492	51.655	51.262	59.713	78.941	78.663	88.006	108.593	140.191	CREDIT MARKET DEBT	26
27	177.400	263.960	284.066	298.039	318.919	353.384	365.202	376.501	411.743	454.246	OTHER SOURCES	27
28	7.306	15.044	18.699	20.970	23.573	32.906	24.451	21.213	26.405	33.004	FOREIGN FUNDS	28
29	5.050	5.525	4.992	5.234	5.010	5.054	7.938	10.169	10.875	9.865	TREASURY BALANCES	29
30	125.284	181.472	195.749	206.454	216.851	228.871	242.268	249.798	260.131	281.356	INSURANCE + PENSION RES.	30
31	39.760	61.919	64.626	65.381	73.485	86.553	90.545	95.321	114.332	130.021	OTHER, NET	31
											PRIVATE DOMESTIC NONFINANCIAL INVESTORS	
32	199.271	235.089	252.359	255.737	276.178	320.118	317.542	314.487	328.136	366.530	CREDIT MARKET CLAIMS	32
33	110.222	113.317	121.669	120.265	128.322	145.334	136.305	122.301	123.906	141.669	U.S. GOVERNMENT SECURITIES	33
34	32.674	43.132	45.728	43.139	42.906	51.167	49.949	50.535	52.671	57.104	STATE + LOCAL OBLIGATIONS	34
35	9.877	13.504	15.176	18.983	23.719	30.302	40.965	50.522	55.646	56.802	CORPORATE + FOREIGN BONDS	35
36	906	8.414	10.741	12.644	18.440	28.601	24.194	23.561	27.535	38.814	COMMERCIAL PAPER	36
37	45.592	56.722	59.045	60.706	62.791	64.714	66.129	67.568	68.378	72.141	OTHER	37
38	295.389	477.100	500.378	552.333	600.602	606.122	672.827	766.567	868.510	957.193	DEPOSITS + CURRENCY	38
39	158.518	312.842	332.034	371.223	404.996	402.832	458.994	540.003	625.250	701.501	TIME + SAVINGS ACCOUNTS	39
40	0	15.011	14.782	19.087	22.603	8.931	23.949	31.613	40.323	58.871	LARGE NEGOTIABLE CD'S	40
41	64.846	126.217	138.345	156.635	174.089	177.566	201.721	234.655	265.289	294.830	OTHER AT COMMERCIAL BANKS	41
42	93.672	171.614	178.907	195.501	208.304	216.335	233.324	273.735	319.638	347.800	AT SAVINGS INSTITUTIONS	42
43	136.871	164.258	168.344	181.110	195.606	203.290	213.833	226.564	243.260	255.692	MONEY	43
44	107.292	127.053	129.161	139.815	151.879	156.725	163.787	173.126	185.410	193.901	DEMAND DEPOSITS	44
45	29.579	37.205	39.183	41.295	43.727	46.565	50.046	53.438	57.850	61.791	CURRENCY	45
											TOTAL OF CREDIT MARKET INSTRU-	
46	494.660	712.189	752.737	808.070	876.780	926.240	990.369	1081.054	1196.646	1323.723	MENTS, DEPOSITS + CURRENCY	46
47	10.380	10.873	11.261	11.441	11.494	11.838	13.043	14.528	14.288	14.669	PUBLIC SUPPORT RATE (%)	47
48	72.119	80.126	79.881	80.797	81.209	80.440	81.702	83.870	85.840	86.811	PVT. FINAN. INTERMEDIATION (%)	48
49	18.572	30.937	32.980	37.048	39.685	47.756	50.156	73.648	87.490	94.506	TOTAL FOREIGN FUNDS	49

CORPORATE EQUITIES NOT INCLUDED ABOVE

1	453.988	748.968	682.653	869.539	1027.629	907.642	900.555	1046.144	1223.080	967.957	TOTAL MARKET VALUE	1
2	15.818	35.220	34.829	44.701	52.677	48.289	47.618	56.694	59.831	46.519	MUTUAL FUND SHARES	2
3	438.170	713.748	647.824	824.838	974.952	859.353	852.937	989.450	1163.249	921.438	OTHER EQUITIES	3
4	41.946	96.902	93.089	120.320	143.009	139.539	148.309	190.989	236.146	198.716	ACQ. BY FINANCIAL INSTITUTIONS	4
5	412.042	652.066	589.564	749.219	884.620	768.103	752.246	855.155	986.934	769.241	OTHER HOLDINGS	5

MONEY AMOUNTS ARE IN MILLIONS OF DOLLARS.

SECTOR STATEMENTS OF SAVING AND INVESTMENT

ANNUAL FLOWS, 1959 + 1965-73

ANNUAL FLOWS, 1959 + 1965-73

		1959 II	1965	1966	1967	1968	1969	1970	1971	1972	1973	
		HOUSEHOLDS, PERSONAL TRUSTS, AND NONPROFIT ORGANIZATIONS										
1	PERSONAL INCOME	383.530	538.893	587.216	629.335	688.924	750.921	808.290	864.038	944.884	1055.042	1
2	- PERSONAL TAXES + NONTAXES	46.213	65.653	75.364	82.994	97.927	116.535	116.591	117.607	142.383	151.330	2
3	= DISPOSABLE PERSONAL INCOME	337.317	473.240	511.852	546.341	590.997	634.386	691.699	746.431	802.501	903.712	3
4	- PERSONAL OUTLAYS	318.234	444.808	479.325	505.975	551.239	596.174	635.498	685.933	749.907	829.364	4
5	= PERSONAL SAVING, NIA BASIS	19.083	28.432	32.527	40.366	39.758	38.212	56.201	60.498	52.594	74.348	5
6	+ CREDITS FROM GOVT. INSURANCE	2.919	4.743	5.586	5.488	6.142	7.073	8.752	9.199	11.080	11.540	6
7	+ CAPITAL GAINS DIVIDENDS	427	939	1.318	1.690	2.458	2.536	923	776	1.420	944	7
8	+ NET DURABLES IN CONSUMPTION	5.500	14.791	15.151	12.434	16.659	16.231	10.554	16.453	24.353	27.058	8
9	= NET SAVING	27.929	48.905	54.582	59.978	65.017	64.052	76.430	86.926	89.447	113.890	9
10	+ CAPITAL CONSUMPTION	44.495	59.853	64.306	69.910	77.157	84.834	91.438	98.622	106.087	115.741	10
11	= GROSS SAVING	72.424	108.758	118.888	129.888	142.174	148.886	167.868	185.548	195.534	229.631	11
12	GROSS INVESTMENT	79.190	115.263	129.332	134.922	145.517	145.435	167.711	186.082	203.816	235.640	12
13	CAPITAL EXPEND.-NET OF SALES	68.269	89.550	94.197	94.635	109.658	117.839	116.178	136.398	158.771	174.132	13
14	RESIDENTIAL CONSTRUCTION	21.373	19.097	18.941	17.001	21.091	21.960	19.627	26.906	34.283	37.537	14
15	CONSUMER DURABLE GOODS	44.306	66.308	70.752	73.120	84.032	90.790	91.297	103.918	118.442	130.310	15
16	NONPROFIT PLANT + EQUIP.	2.590	4.145	4.504	4.514	4.535	5.089	5.254	5.574	6.046	6.285	16
17	NET FINANCIAL INVESTMENT	10.921	25.713	35.135	40.287	35.859	27.596	51.533	49.684	45.045	61.508	17
18	NET ACQ. OF FINANCIAL ASSETS	32.974	55.261	58.369	63.984	69.575	56.788	74.057	92.783	113.990	130.760	18
19	DEP. + CR. MKT. INSTR. (1)	24.817	40.183	41.642	48.758	54.295	42.492	54.432	72.276	93.643	110.439	19
20	DEMAND DEP. + CURRENCY	2.462	7.676	3.854	11.200	12.312	1.531	11.173	10.964	11.843	13.054	20
21	TIME + SAVINGS ACCOUNTS	11.325	28.022	20.456	34.815	30.263	6.009	44.402	70.250	75.360	67.673	21
22	AT COMMERCIAL BANKS	2.840	14.856	13.163	18.086	17.378	-2.022	27.473	29.839	29.457	39.511	22
23	AT SAVINGS INST.	8.485	13.166	7.293	16.729	12.885	8.031	16.929	40.411	45.903	28.162	23
24	CREDIT MKT. INSTRUMENTS	11.030	4.485	17.332	2.743	11.720	34.952	-1.143	-8.938	6.440	29.712	24
25	U.S. GOVT. SECURITIES	5.723	2.527	7.685	1.522	5.554	12.840	-9.686	-14.376	595	20.360	25
26	S. + L. OBLIGATIONS	3.258	1.749	3.599	-2.195	-761	9.611	-751	-151	960	4.335	26
27	CORPORATE + FGN. BONDS	258	984	1.982	4.599	4.651	6.616	10.680	9.318	5.185	1.059	27
28	COMMERCIAL PAPER	5	-9	2.748	-2.125	729	4.759	-1.524	-3.922	1.546	3.464	28
29	MORTGAGES	1.786	-766	1.318	942	1.547	1.123	138	193	-1.846	494	29
30	INVESTMENT COMPANY SHARES	1.765	3.221	3.677	2.957	5.798	4.787	2.629	1.145	-696	-1.586	30
31	OTHER CORPORATE SHARES	-1.165	-5.381	-4.613	-7.268	-12.300	-8.583	-4.358	-6.479	-4.670	-6.586	31
32	LIFE INSURANCE RESERVES	3.421	4.825	4.694	5.063	4.621	4.978	5.242	6.172	6.560	7.277	32
33	PENSION FUND RESERVES	8.446	12.218	14.736	14.570	15.486	16.274	19.058	21.559	23.760	24.359	33
34	NET INV. IN NONCORP. BUS.	-4.647	-1.942	-3.180	-3.774	-2.218	-3.460	-4.663	-4.729	-7.409	-4.434	34
35	SECURITY CREDIT	-167	864	197	2.213	2.096	-1.818	-867	535	134	-206	35
36	MISCELLANEOUS ASSETS	504	1.273	1.216	1.465	1.797	2.118	2.584	2.304	2.668	1.497	36
37	NET INCREASE IN LIABILITIES	22.053	29.548	23.234	23.697	33.716	29.192	22.524	43.099	68.945	69.252	37
38	CREDIT MARKET INSTRUMENTS	21.524	28.319	22.672	19.318	29.954	31.717	23.374	39.827	63.125	72.815	38
39	HOME MORTGAGES	12.560	15.232	12.652	10.371	14.625	16.072	12.481	24.169	38.424	44.208	39
40	OTHER MORTGAGES	814	1.175	1.257	1.194	1.135	1.276	1.360	1.217	1.421	1.408	40
41	INSTALMENT CONS. CREDIT	5.605	8.201	5.351	3.184	8.317	9.360	4.959	9.231	16.037	20.105	41
42	OTHER CONSUMER CREDIT	810	1.414	1.004	1.361	1.670	1.016	1.058	2.000	3.133	2.817	42
43	BANK LOANS N.E.C.	1.072	1.359	364	1.888	2.492	1.008	915	1.837	2.780	1.800	43
44	OTHER LOANS	663	938	2.044	1.320	1.715	2.985	2.601	1.373	1.330	2.477	44
45	SECURITY CREDIT	14	736	-73	3.684	2.918	-3.400	-1.780	2.609	4.672	-4.570	45
46	TRADE DEBT	297	229	279	407	489	489	500	345	608	607	46
47	MISCELLANEOUS	218	264	356	288	355	386	430	318	540	400	47
48	DISCREPANCY	-6.766	-6.505	-10.444	-5.034	-3.343	3.451	157	-534	-8.282	-6.009	48

(1) EXCLUDES CORPORATE EQUITIES.

	MEMORANDA:											
	NET PHYSICAL INVESTMENT:											
	(A) RESIDENTIAL CONSTRUCTION											
49	EXPENDITURES	21.373	19.097	18.941	17.001	21.091	21.960	19.627	26.906	34.283	37.537	49
50	- CAPITAL CONSUMPTION	4.900	7.143	7.422	7.844	8.302	8.684	8.997	9.304	10.008	10.358	50
51	- HOME MORTGAGES	12.560	15.232	12.652	10.371	14.625	16.072	12.481	24.169	38.424	44.208	51
52	= EXCESS NET INVESTMENT	3.913	-3.278	-1.133	-1.214	-1.836	-2.796	-1.851	-6.567	-14.149	-17.029	52
	(B) CONSUMER DURABLES											
53	EXPENDITURES	44.306	66.308	70.752	73.120	84.032	90.790	91.297	103.918	118.442	130.310	53
54	- CAPITAL CONSUMPTION	38.806	51.517	55.601	60.686	67.373	74.559	80.743	87.465	94.089	103.252	54
55	= NET INVESTMENT	5.500	14.791	15.151	12.434	16.659	16.231	10.554	16.453	24.353	27.058	55
56	- CONSUMER CREDIT	6.415	9.615	6.355	4.545	9.987	10.376	6.017	11.231	19.170	22.922	56
57	= EXCESS NET INVESTMENT	-915	5.176	8.796	7.889	6.672	5.855	4.537	5.222	5.183	4.136	57
	(C) NONPROFIT PLANT + EQUIP.											
58	EXPENDITURES	2.590	4.145	4.504	4.514	4.535	5.089	5.254	5.574	6.046	6.285	58
59	- CAPITAL CONSUMPTION	789	1.193	1.283	1.380	1.482	1.591	1.698	1.853	1.990	2.131	59
60	- NONPROFIT MORTGAGES	814	1.175	1.257	1.194	1.135	1.276	1.360	1.217	1.421	1.408	60
61	= EXCESS NET INVESTMENT	987	1.777	1.964	1.940	1.918	2.222	2.196	2.504	2.635	2.746	61
	PER CENT RATIOS:											
62	EFFECTIVE TAX RATE	12.049	12.182	12.834	13.187	14.214	15.518	14.424	13.611	15.068	14.343	62
63	SAVING RATE, NIA BASIS	5.657	6.007	6.354	7.388	6.727	6.023	8.125	8.104	6.553	8.226	63
	PER CENT OF DISPOSABLE INCOME ADJ. (2):											
64	GROSS SAVING	21.259	22.708	22.917	23.465	23.711	23.119	23.934	24.530	23.991	25.063	64
65	CAPITAL EXPENDITURES	20.040	18.698	18.158	17.096	18.288	18.298	16.564	18.032	19.481	19.005	65
66	ACQUISITION OF FINAN. ASSETS	9.679	11.538	11.251	11.559	11.603	8.818	10.558	12.266	13.986	14.272	66
67	NET INCREASE IN LIABILITIES	6.473	6.169	4.478	4.281	5.623	4.532	3.211	5.697	8.459	7.558	67
68	CREDIT MARKET BORROWING	6.318	5.913	4.370	3.490	4.995	4.925	3.332	5.265	7.745	7.947	68
69	(2) DISPOSABLE INCOME ADJ. (NIA DISPOSABLE INCOME + GOVT. INSURANCE CREDITS + CAPITAL GAINS DIVID.)	340.663	478.922	518.756	553.519	599.597	643.995	701.374	756.406	815.001	916.196	69

MONEY AMOUNTS ARE IN MILLIONS OF DOLLARS.

SECTOR STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES

YEAR-END OUTSTANDINGS, 1959 + 1965-73

YEAR-END OUTSTANDINGS, 1959 + 1965-73

HOUSEHOLDS, PERSONAL TRUSTS, AND NONPROFIT ORGANIZATIONS

	1959	1965	1966	1967	1968	1969	1970	1971	1972	1973		
1	946.538	1464.429	1460.006	1694.952	1910.277	1853.685	1918.860	2134.482	2405.781	2302.342	TOTAL FINANCIAL ASSETS	1
2	365.820	547.761	587.946	635.800	690.102	732.300	786.774	859.212	952.793	1062.206	DEP. + CR. MKT. INSTR. (1)	2
3	71.499	94.221	98.075	109.376	121.693	123.347	134.520	145.484	157.327	170.248	DEMAND DEPOSITS + CURRENCY	3
4	153.839	287.525	306.831	341.511	371.692	377.822	422.284	492.534	567.894	635.567	TIME + SAVINGS ACCOUNTS	4
5	60.167	115.911	127.924	146.010	163.388	161.487	188.960	218.799	248.256	287.767	AT COMMERCIAL BANKS	5
6	93.672	171.614	178.907	195.501	208.304	216.335	233.324	273.735	319.638	347.800	AT SAVINGS INSTITUTIONS	6
7	140.482	166.015	183.040	184.913	196.717	231.131	229.970	221.194	227.572	256.391	CREDIT MARKET INSTRUMENTS	7
8	73.457	81.801	89.487	91.009	96.562	109.405	99.718	85.294	85.888	105.258	U.S. GOVT. SECURITIES	8
9	45.907	49.595	50.249	51.139	51.512	51.126	51.407	53.832	57.127	59.827	SAVINGS BONDS	9
10	11.808	12.411	13.173	12.204	20.119	31.730	22.664	10.206	10.874	17.668	SHORT-TERM MARKETABLE	10
11	13.380	15.237	17.113	17.359	14.739	13.596	9.919	10.259	6.986	6.713	OTHER DIRECT	11
12	2.362	4.558	8.952	10.307	10.192	12.953	15.728	10.997	10.901	21.050	AGENCY ISSUES	12
13	27.251	36.365	39.964	37.714	36.953	46.131	45.380	45.229	46.189	50.524	S. + L. OBLIGATIONS	13
14	9.877	13.504	15.176	18.983	23.719	30.302	40.965	50.522	55.646	56.802	CORPORATE + FGN. BONDS	14
15	11	3	2.751	626	1.355	6.114	4.590	668	2.214	5.678	COMMERCIAL PAPER	15
16	29.886	34.342	35.662	36.581	38.128	39.179	39.317	39.481	37.635	38.129	MORTGAGES	16
17	402.679	637.467	576.921	733.708	865.069	749.962	733.557	833.726	959.107	744.418	CORPORATE EQUITIES	17
18	15.818	35.220	34.829	44.701	52.677	48.289	47.618	56.694	59.831	46.519	INVESTMENT COMPANY SHARES	18
19	386.861	602.247	542.092	689.007	812.392	701.673	685.939	777.032	899.276	697.899	OTHER CORPORATE SHARES	19
20	81.956	105.876	110.570	115.424	120.045	125.023	130.265	136.437	142.997	150.274	LIFE INSURANCE RESERVES	20
21	82.273	153.809	163.640	185.229	206.377	217.416	237.563	271.567	314.542	307.811	PENSION FUND RESERVES	21
22	989	2.533	2.730	4.943	7.039	5.221	4.354	4.889	5.023	4.817	SECURITY CREDIT	22
23	12.821	16.983	18.199	19.848	21.645	23.763	26.347	28.651	31.319	32.816	MISCELLANEOUS ASSETS	23
24	208.150	348.658	370.693	394.388	428.440	457.522	480.046	522.837	591.882	661.118	TOTAL LIABILITIES	24
25	198.360	333.213	354.686	374.003	404.293	435.900	459.274	498.793	562.018	634.833	CREDIT MARKET INSTRUMENTS	25
26	125.966	206.338	218.990	229.361	243.986	260.058	272.539	296.397	334.821	379.029	HOME MORTGAGES	26
27	8.317	14.228	15.485	16.679	17.814	19.090	20.450	21.667	23.088	24.496	OTHER MORTGAGES	27
28	39.247	70.893	76.244	79.428	87.745	97.105	102.064	111.295	127.332	147.437	INSTALMENT CONS. CREDIT	28
29	12.297	18.990	19.994	21.355	23.025	24.041	25.099	27.099	30.232	33.049	OTHER CONSUMER CREDIT	29
30	6.430	11.715	12.030	13.917	16.409	17.307	18.222	20.062	22.942	24.742	BANK LOANS N.E.C.	30
31	6.103	11.049	11.943	13.263	15.314	18.299	20.900	22.273	23.603	26.080	OTHER LOANS	31
32	5.536	9.098	9.025	12.709	15.627	12.227	10.447	13.056	17.723	13.142	SECURITY CREDIT	32
33	2.067	3.044	3.323	3.729	4.218	4.707	5.207	5.552	6.160	6.767	TRADE CREDIT	33
34	2.187	3.303	3.659	3.947	4.302	4.688	5.118	5.436	5.976	6.376	DEFERRED AND UNPAID LIFE INSURANCE PREMIUMS	34

(1) EXCLUDES CORPORATE EQUITIES.

MONEY AMOUNTS ARE IN MILLIONS OF DOLLARS.

TOTAL + NONCORP BUSINESS

SECTOR STATEMENTS OF SAVING AND INVESTMENT

ANNUAL FLOWS, 1959 + 1965-73

ANNUAL FLOWS, 1959 + 1965-73

	1959	1965	1966	1967	1968	1969	1970	1971	1972	1973	
	NONFINANCIAL BUSINESS - TOTAL										
1 INCOME BEFORE TAXES	96.226	129.534	139.117	136.248	142.449	139.466	128.166	137.545	155.249	183.881	1
2 GROSS SAVING	47.232	71.812	77.138	78.387	79.780	80.418	80.298	90.590	104.074	112.649	2
3 GROSS INVESTMENT	42.965	62.962	68.976	72.617	70.166	74.447	73.585	80.400	89.314	98.845	3
4 CAPITAL EXPENDITURES	50.313	83.576	90.441	93.427	97.930	108.876	108.042	117.127	134.264	160.525	4
5 FIXED INVESTMENT	45.556	73.956	81.639	85.234	90.865	101.071	103.514	110.815	125.730	145.156	5
6 BUSINESS PLANT + EQUIPMENT	41.478	65.825	75.538	77.172	82.000	90.508	92.045	95.011	106.418	125.696	6
7 NONFARM HOME CONST. (1)	846	706	-650	1.970	1.087	123	881	2.960	2.062	-573	7
8 MULTI-FAMILY RESIDENTIAL	3.232	7.425	6.751	6.092	7.778	10.440	10.588	12.844	17.250	20.033	8
9 CHANGE IN INVENTORIES	4.757	9.620	14.802	8.193	7.065	7.805	4.528	6.312	8.534	15.369	9
10 NET FINANCIAL INVESTMENT	-7.368	-20.614	-27.465	-20.810	-27.766	-34.429	-34.457	-36.727	-44.950	-61.680	10
11 FINANCIAL USES OF FUNDS, NET	13.040	21.214	13.663	18.028	30.576	30.246	14.788	25.264	33.793	43.858	11
12 FINAN. SOURCES OF FUNDS, NET	20.408	41.828	41.128	38.838	58.342	64.675	49.245	61.991	78.743	105.538	12
13 CORPORATE SHARE ISSUES	2.078	-28	1.259	2.397	-159	3.406	5.694	11.435	10.922	7.420	13
14 CREDIT MARKET INSTRUMENTS	14.835	29.461	32.543	35.741	40.096	46.000	42.301	48.156	59.568	77.630	14
15 CORPORATE BONDS	2.955	5.392	10.224	14.658	12.893	11.975	19.756	18.807	12.187	9.159	15
16 HOME MORTGAGES	160	150	-954	1.120	430	-416	324	1.922	1.206	-864	16
17 OTHER MORTGAGES	5.070	9.091	9.340	9.361	10.909	10.750	11.564	19.546	26.208	28.439	17
18 BANK LOANS N.E.C.	5.143	12.209	10.564	7.879	11.099	14.495	5.777	5.914	16.083	34.024	18
19 OTHER LOANS	1.507	2.619	3.369	2.723	4.765	9.196	4.880	1.881	3.336	5.076	19
20 TRADE DEBT	5.465	12.119	10.214	8.943	17.442	21.203	8.589	5.254	15.371	20.062	20
21 OTHER LIABILITIES	-1.970	276	-2.888	-8.243	963	-5.934	-7.339	-2.854	-7.118	426	21
22 DISCREPANCY	4.287	8.850	8.162	5.770	9.616	5.971	6.713	10.190	14.760	13.804	22

YEAR-END OUTSTANDINGS, 1959 + 1965-73

YEAR-END OUTSTANDINGS, 1959 + 1965-73

	1959	1965	1966	1967	1968	1969	1970	1971	1972	1973	
	NONFINANCIAL BUSINESS - TOTAL										
1 TOTAL FINANCIAL ASSETS	207.300	290.924	306.253	325.918	358.784	391.792	409.320	437.661	476.075	527.991	1
2 DEMAND DEPOSITS + CURRENCY	48.103	47.430	47.748	49.294	51.208	53.766	54.818	55.465	55.620	55.350	2
3 TIME DEPOSITS	1.500	13.131	11.741	13.820	14.194	11.790	13.485	17.085	20.195	21.549	3
4 CREDIT MARKET INSTRUMENTS	40.773	45.939	44.388	46.240	52.592	55.674	53.949	61.673	65.318	74.454	4
5 TRADE CREDIT	78.247	120.967	132.968	141.310	159.960	182.689	191.051	196.742	216.789	240.868	5
6 MISCELLANEOUS ASSETS	38.677	63.457	69.408	75.254	80.830	87.873	96.017	106.696	118.153	135.770	6
7 TOTAL LIABILITIES	273.153	433.804	477.287	517.960	578.267	643.632	692.241	746.859	822.600	925.124	7
8 CREDIT MARKET INSTRUMENTS	184.864	300.270	333.074	368.672	407.854	454.031	496.216	543.303	602.514	679.154	8
9 TAX-EXEMPT BONDS	0	0	0	0	0	0	0	86	634	2.430	9
10 CORPORATE BONDS	71.856	97.800	108.024	122.682	135.575	147.550	167.306	186.113	198.300	207.459	10
11 HOME MORTGAGES	2.748	2.556	1.602	2.722	3.152	2.736	3.060	4.982	6.188	5.324	11
12 OTHER MORTGAGES	51.647	98.587	108.287	117.506	128.241	138.991	150.555	169.712	195.920	223.369	12
13 BANK LOANS N.E.C.	44.104	74.941	85.496	93.374	104.473	119.145	124.814	130.729	146.455	180.479	13
14 OTHER LOANS	14.509	26.386	29.665	32.388	36.413	45.609	50.481	51.681	55.017	60.093	14
15 TRADE DEBT, NET	65.868	104.568	114.785	123.718	141.090	162.581	171.283	176.556	192.570	212.646	15
16 OTHER LIABILITIES	22.421	28.966	29.428	25.570	29.323	27.020	24.742	27.000	27.516	33.324	16

(1) CHANGE IN WORK IN PROCESS.

MONEY AMOUNTS ARE IN MILLIONS OF DOLLARS.