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## 6 Trends and Fluctuations in Sectoral Balance Sheets, 1953–75

### 6.1. Sectoral Distribution of Assets, Liabilities, Equities, and Net Worth

Before discussing changes in the structure of the balance sheets of individual sectors or combinations of them, we should refer to table 25, which presents an overview of the changes in the distribution, among sectors, of national assets and total liabilities, equities of intermediate sectors, and net worth of ultimate sectors between the three benchmark dates of 1953, 1964, and 1975.

The outstanding change in the sectoral distribution of national assets in current prices is the sharp increase in the share of state and local governments from 5½ to 8½ percent and the even sharper decline of that of the federal government from 7½ to 4 percent, with the result that the combined share of the two government sectors remained close to one-eighth of national assets. Less pronounced but still significant is the decline of the share of the two unincorporated business sectors from over 11 percent to less than 9 percent. Since the share of nonfinancial corporations increased moderately from 14 to 15½ percent, that of all business sectors together was very close to one-fourth of national assets at the beginning as well as the end of the period, though slightly lower at its middle. The share of the largest sector, households, declined substantially during the second half of the period, largely because of the relatively small increase in the market value of corporate stocks held. Foreign investments in the United States almost doubled their share from 0.8 to 1.4 percent, but remained the smallest of the nine sectors.

Because of the relatively small differences in the movements of the national product deflator, which is applied to all financial assets, and of the implicit deflators in the different types of tangible assets, which has already been discussed in 3.4 the sectoral distribution of national assets

and the changes in the shares of the various sectors in constant (1972) prices differ only very little from those in current prices as shown in table 26. This is evident from the following comparison of the change in the sectoral shares between 1953 and 1975 expressed in percentage points of total national assets:

	<u>Current prices</u>	<u>Constant prices</u>
Households	-2.3	-1.0
Nonprofit organizations	+0.4	+0.2
Federal government	-3.6	-3.8
State and local governments	+2.9	+2.2
Rest of the world	+0.6	+0.7
Farm business	-1.1	-1.2
Nonfarm unincorporated business	-1.3	-1.4
Nonfinancial corporations	+1.7	+1.1
Financial institutions	+2.8	+3.2

No definite conclusions regarding the effects of inflation on the distribution of national assets can be drawn from these figures, most of which refer to very large and heterogeneous sectors.

Table 41 shows the reconciliation between the estimates of national wealth and those of the net worth of the five ultimate sectors. When account is taken of the difference between the market value of corporate shares and the adjusted net worth of corporations calculated by using the replacement cost of their reproducible tangible assets, the two aggregates almost coincide, as they theoretically should. The small difference is attributable to some inconsistencies, and possibly to errors, in the calculations. It is, for instance, likely that the net worth of the rest-of-the-world sector is not consistent with the sector's holdings of assets and incurrence of liabilities that are implicitly included in the totals for these assets and liabilities. Since the discrepancy is below 1 percent for the average of the three benchmark dates, it can hardly affect the conclusions.

The intersectoral differences between trends in current and in constant prices are somewhat more pronounced, but still rather small, in the case of net worth. Compared to the rate of growth for the aggregate of the five ultimate sectors of  $3\frac{3}{4}$  percent—one-half the rate in current prices—the net worth of state and local governments grew at a rate of fully 5 percent, while that of the household sector increased at one of only  $3\frac{1}{4}$  percent. The net worth of the federal government remained negative, but the deficiency decreased at an average rate of over 4 percent. As a result the share of households in national net worth declined from 88 to 78 percent (from 91 to 82 percent if the sector's share in the excess of adjusted corporate equity over the market value of corporate shares is taken into account), while that of the two government sectors more than doubled,

**Table 41 National Wealth and Sectoral Net Worth, 1953, 1964, and 1975**

	Amounts (\$ bill.)			Rate of growth (percent)			Percent of national wealth		
	1953 (1)	1964 (2)	1975 (3)	1954 to 1964	1965 to 1975	1954 to 1975	1953 (7)	1964 (8)	1975 (9)
				(4)	(5)	(6)			
I. National wealth	1,336	2,467	6,647	5.73	9.43	7.57	100.0	100.0	100.0
II. Net worth									
1. Households	1,138	2,208	4,892	6.21	7.50	6.85	85.2	89.5	73.6
2. Nonprofit institutions	37	83	208	7.62	8.71	8.16	2.8	3.4	3.1
3. Federal government	-55	4	-15	...	...	-5.74	-4.1	0.1	-0.2
4. State and local governments	125	262	938	6.96	12.29	9.59	9.4	10.6	14.1
5. Rest of the world	-15	-37	-65	8.55	5.26	6.89	-1.1	-1.5	-1.0
6. All ultimate sectors	1,230	2,520	5,958	6.74	8.14	7.43	92.1	102.1	89.6
III. Valuation difference of corporate equity	+110	-78	+604	...	...	8.05	+8.2	-3.2	+9.1
IV. Adjusted sectoral net worth (II + III)	1,340	2,442	6,562	5.61	9.40	7.50	100.3	99.0	98.7
V. Difference (IV - I)	+4	-25	-85	...	...	...	+0.3	-1.0	-1.3

from 5½ to 13 percent, reflecting both an increase in the positive net worth of state and local governments from 10½ to 13½ percent and a decline of the federal government's deficiency from 5 to less than 1 percent. The changes in the distribution in constant prices, however, did not differ sharply from that in current prices, again owing in part to the smallness of the difference of the deflators for the different types of assets and liabilities.

	<u>Current prices</u>	<u>Constant prices</u>
Households	-11.6	-9.7
Nonprofit organizations	+ 0.3	+0.1
Federal government	+ 3.9	+4.3
State and local governments	+ 4.7	+3.3
Rest of the world	+ 0.1	-0.2
Total	- 2.6	-2.2
Adjustment of corporate equity	+ 0.9	-0.1
Differences	- 1.6	-2.1

## 6.2. Two Financial Ratios

Tables 42 and 43 provide information on two important financial ratios for each of the main sectors, the share of financial in total assets, and the ratio of liabilities to financial assets. In both cases the ratios are shown including or excluding household equity in farm and nonfarm unincorporated enterprises and in personal trust funds, i.e., in the latter case consolidating the four sectors involved.

While the share of financial in national assets failed to show a trend over the period though rising in its first and declining in its second half, particularly in 1973-74, there were sharp and fairly continuous reductions in the case of nonprofit institutions and unincorporated enterprises; and smaller ones for households, nonfinancial corporations, state and local governments, and financial institutions. That the aggregate ratio nevertheless declined very little is due to the increase in the share of financial institutions, which have by far the highest share in total financial assets over the period, from 30 to 36 percent. On an annual basis the ratios tended to decline, particularly in years of above average rises in the price level, such as 1956-57, 1969-70, and 1973-74.

Differences in the levels and movements of sectoral ratios of liabilities to financial assets were very pronounced. While the ratio increased only moderately for all sectors taken together, it rose substantially for most nonfinancial sectors, particularly for unincorporated enterprises. The federal government and foreign countries were the only sectors for which the ratio declined, though only moderately.

The ratio of liabilities to assets showed no trend, remaining at slightly above one-fourth, the share of U.S. government securities and of insur-

Table 42

**The Share of Financial Assets in Total Sectoral Assets, 1953–75**  
(percent)

	All sectors <sup>a</sup>		Households		Non-profit institutions (5)	Unincorporated enterprises		Non-financial corporations (8)	Government		
	A <sup>b</sup> (1)	B <sup>b</sup> (2)	A <sup>b</sup> (3)	B <sup>b</sup> (4)		Farm (6)	Non-farm (7)		Federal (9)	State and local (10)	Financial institutions (11)
1953	54.1	49.1	66.3	56.4	38.1	5.7	16.0	29.7	23.4	14.1	99.2
1954	55.1	50.5	67.3	58.6	41.0	5.6	16.1	30.0	20.8	14.6	99.2
1955	55.1	50.8	67.2	59.1	42.8	5.5	15.5	30.7	20.3	13.8	99.2
1956	54.4	50.0	66.8	58.6	41.4	5.2	15.6	29.1	19.3	12.6	99.1
1957	53.2	48.7	65.3	56.6	39.1	4.9	15.2	28.4	18.8	11.8	99.0
1958	54.7	50.4	66.9	59.1	39.2	4.7	15.6	29.4	18.0	11.5	99.1
1959	54.9	50.9	66.4	59.0	39.9	4.4	15.0	30.2	19.0	12.0	99.0
1960	54.8	50.9	65.9	58.6	38.6	4.1	14.6	30.0	19.0	12.2	99.1
1961	56.3	52.6	67.4	60.8	39.6	4.0	14.5	30.6	19.3	11.9	99.1
1962	55.7	52.0	66.2	59.2	36.0	3.9	14.1	30.9	20.0	12.0	99.1
1963	56.7	53.2	67.1	60.6	37.6	3.8	13.7	31.4	20.8	12.4	99.1
1964	56.9	53.6	66.9	60.6	38.1	3.8	13.5	31.5	21.4	12.5	99.0
1965	57.7	54.5	68.0	62.2	37.8	3.7	13.1	31.7	21.7	12.8	98.9
1966	56.6	53.4	67.0	60.8	35.0	3.6	12.7	30.6	22.2	12.7	98.7
1967	57.5	54.5	68.2	62.6	34.9	3.5	12.4	30.2	22.1	12.5	98.7
1968	57.8	54.9	68.5	63.1	33.9	3.5	11.2	30.5	22.7	12.4	98.5
1969	56.0	52.8	66.4	60.4	31.2	3.6	10.6	29.9	22.2	11.3	98.2
1970	55.6	52.4	66.3	60.1	30.4	3.6	10.0	29.2	22.1	11.2	98.0
1971	56.2	53.4	66.9	61.0	31.0	3.5	9.7	29.4	22.5	11.1	97.9
1972	56.9	53.9	66.8	61.0	30.8	3.4	9.5	29.5	22.2	12.2	97.9
1973	54.2	50.8	63.8	56.5	26.1	3.0	8.9	28.5	21.6	12.1	97.6
1974	51.5	47.8	61.0	52.6	20.6	2.9	8.4	26.6	21.1	11.8	97.3
1975	52.3	48.6	61.9	53.8	22.2	2.8	8.2	26.4	22.9	11.8	97.2

<sup>a</sup>Includes small rest-of-the-world sector, accounting on the average for 1 percent of national assets, all of whose assets are classified as financial.

<sup>b</sup>Cols. 1 and 3 include, and cols. 2 and 4 exclude, household equity in unincorporated enterprises and in personal trust funds.

**Table 43** The Sectoral Liabilities/Financial Assets Ratio, 1953, 1964, and 1975

	1953 (1)	1964 (2)	1975 (3)
1. All sectors: A <sup>a</sup>	0.67	0.64	0.75
2. All sectors: B <sup>a</sup>	0.84	0.75	0.89
3. Households: A <sup>a</sup>	0.13	0.18	0.21
4. Households: B <sup>a</sup>	0.21	0.26	0.33
5. Nonprofit institutions	0.32	0.42	0.65
6. Unincorporated farm enterprises	1.64	4.12	5.87
7. Unincorporated nonfarm enterprises	0.95	1.44	2.54
8. Nonfinancial corporations <sup>b</sup>	1.25	1.33	1.57
9. U.S. government	5.36	4.62	4.50
10. State and local governments	1.61	2.20	1.73
11. Financial institutions	0.93	0.91	0.95
12. Rest of the world	1.68	1.65	1.33

<sup>a</sup>Cols. 1 and 3 include, and cols. 2 and 4 exclude, households' equity in unincorporated enterprises and in personal trust funds.

<sup>b</sup>Liabilities exclude corporate stock; assets exclude intercorporate stock holdings.

ance and pension reserves declined sharply while that of mortgages advanced substantially and those of most other types expanded moderately.

The movements of the ratios of the various assets and liabilities to national product, shown on the right-hand side of table 47, are similar.

### 6.3. The Balance Sheet of all Nonfinancial Sectors

The nonfinancial sectors throughout the period held at least four-fifths of national assets, and their share, as table 44 shows, declined slowly but fairly regularly from nearly 84 to 80 percent in 1972, recovering to 81 percent at the end of the period. While their share in tangible assets kept continuously above 99 percent, that in financial assets declined from 70 to 64 percent, an indication of more intensive financial intermediation.

Between 1953 and 1975 the assets of all nonfinancial sectors increased by over 360 percent in current prices, but only by 110 percent in constant prices, or at annual average rates of 7.2 and 3.5 percent respectively. Their relation to gross national product increased slightly while that to national wealth declined by nearly one-tenth. Annual changes can be followed in table 45. They are, as might be expected, much more pronounced in the absolute figures, particularly those in current prices, than in the ratios. Assets in current prices increased in every year of the period, but even in constant price per head they declined in only four years (1969, 1970, 1973, and 1974) and significantly so only in 1973-74.

**Table 44**      **Distribution of National Assets between Financial and Nonfinancial Sectors, 1953–75**  
(percent)

	Nonfinancial sectors			Financial institutions			All sectors		
	Tangible (1)	Financial (2)	Total (3)	Tangible (4)	Financial (5)	Total (6)	Tangible (7)	Financial (8)	Total <sup>a</sup> (9)
1953	45.8	37.9	83.7	0.1	16.1	16.2	45.9	54.0	100.0
1954	44.7	38.8	83.5	0.1	16.3	16.4	44.8	55.2	100.0
1955	44.7	39.0	83.7	0.1	16.2	16.3	44.8	55.2	100.0
1956	45.5	38.4	83.9	0.1	15.9	16.0	45.6	54.3	100.0
1957	46.6	37.3	83.9	0.2	15.9	16.1	46.8	53.2	100.0
1958	45.2	38.6	83.8	0.2	16.0	16.2	45.4	54.6	100.0
1959	45.0	38.7	83.7	0.2	16.2	16.4	45.2	54.9	100.0
1960	45.0	38.3	83.3	0.2	16.6	16.8	45.2	54.9	100.0
1961	43.6	39.3	82.9	0.2	17.0	17.2	43.8	56.3	100.0
1962	44.2	38.2	82.4	0.2	17.5	17.7	44.4	55.7	100.0
1963	43.2	38.8	82.0	0.2	17.9	18.1	43.4	56.7	100.0
1964	42.9	38.5	81.4	0.2	18.4	18.6	43.1	56.9	100.0
1965	42.1	39.2	81.3	0.2	18.5	18.7	42.3	57.7	100.0
1966	43.1	38.1	81.2	0.2	18.5	18.7	43.3	56.6	100.0
1967	42.2	39.0	81.2	0.3	18.6	18.9	42.5	57.6	100.0
1968	41.8	39.4	81.2	0.3	18.5	18.8	42.1	57.9	100.0
1969	43.7	37.7	81.4	0.3	18.2	18.5	44.0	55.9	100.0
1970	44.0	37.1	81.1	0.4	18.5	18.9	44.4	55.6	100.0
1971	43.2	37.3	80.5	0.4	19.1	19.5	43.6	56.4	100.0
1972	42.7	37.3	80.0	0.4	19.6	20.0	43.1	56.9	100.0
1973	45.3	34.9	80.2	0.5	19.3	19.8	45.8	54.2	100.0
1974	47.9	32.9	80.8	0.5	18.6	19.1	48.4	51.5	100.0
1975	47.2	33.7	80.9	0.5	18.6	19.1	47.7	52.3	100.0

<sup>a</sup>For absolute figures cf. tables 28 and 29.



Table 45

## Assets of All Nonfinancial Sectors, 1953–75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Ratio to	
	Current (1)	1972 (2)	Current prices (3)	1972 (4)	Current (5)	1972 (6)	Gross national product (7)	National wealth (8)
1953	2,409	3,940	100.0	100.0	...	...	6.65	1.80
1954	2,581	4,182	107.1	106.1	+7.1	+6.1	6.77	1.84
1955	2,824	4,432	117.2	112.5	+9.4	+6.0	6.87	1.85
1956	3,033	4,567	125.9	115.9	+7.4	+3.0	6.97	1.82
1957	3,143	4,633	130.5	117.6	+3.6	+1.4	7.16	1.77
1958	3,412	4,960	141.6	125.9	+8.6	+7.1	7.24	1.83
1959	3,606	5,162	149.7	131.0	+5.7	+4.1	7.21	1.84
1960	3,716	5,289	154.3	134.2	+3.1	+2.5	7.35	1.82
1961	3,978	5,601	165.1	142.2	+7.1	+5.9	7.27	1.87
1962	4,080	5,684	169.4	144.3	+2.6	+1.5	7.08	1.83
1963	4,357	6,016	180.9	152.7	+6.8	+5.8	7.07	1.87
1964	4,593	6,258	190.7	158.8	+5.4	+4.0	7.01	1.86
1965	4,979	6,641	206.7	168.6	+8.4	+6.1	6.88	1.89
1966	5,207	6,745	216.1	171.2	+4.6	+1.6	6.72	1.84
1967	5,718	7,156	237.4	181.6	+9.8	+6.1	6.91	1.88
1968	6,322	7,537	262.4	191.3	+10.6	+5.3	6.99	1.90
1969	6,691	7,515	277.8	190.7	+5.8	-0.3	6.98	1.83
1970	7,077	7,590	293.8	192.6	+5.8	+1.0	6.97	1.80
1971	7,701	7,874	319.7	199.8	+8.8	+3.7	6.94	1.83
1972	8,488	8,283	352.3	210.2	+10.2	+5.2	6.86	1.85
1973	9,271	8,273	384.8	210.0	+9.2	-0.1	6.81	1.74
1974	10,110	8,033	419.7	203.9	+9.0	-2.9	6.98	1.65
1975	11,149	8,329	462.8	211.4	+10.3	+3.7	6.92	1.68

Table 46

**Rates of Growth of Assets and Liabilities of Financial and Nonfinancial Sectors, 1954–75**  
(percent per year)

	Financial institutions			Nonfinancial sectors		
	1954 to 1964 (1)	1965 to 1975 (2)	1954 to 1975 (3)	1954 to 1964 (4)	1965 to 1975 (5)	1954 to 1975 (6)
1. Land	13.27	19.74	16.46	9.00	9.52	9.26
2. Structures	9.32	19.35	14.23	5.51	10.04	7.75
3. Consumer durables	...	...	...	4.67	9.38	7.00
4. Equipment	9.54	19.01	14.18	4.46	8.15	6.29
5. Inventories	20.34	15.29	17.79	3.30	8.02	5.63
6. Tangible assets	10.38	19.27	14.74	5.68	9.41	7.53
7. Demand deposits and currency	4.49	3.85	4.17	2.30	5.14	3.71
8. Time and savings deposits	11.64	14.66	13.14	10.37	10.70	10.54
9. Gold	-3.05	-2.63	-2.84	...	...	...
10. U.S. government securities	0.83	3.99	2.40	1.40	6.11	3.73
11. U.S. agency securities	7.36	22.89	14.86	23.42	18.23	20.80
12. State and local government securities	9.34	8.97	9.15	9.61	7.82	8.71
13. Corporate and foreign bonds	7.28	8.51	7.89	3.65	23.92	13.33
14. Corporate stock	15.09	5.85	10.37	11.14	1.73	6.33
15. Mortgages	11.43	9.55	10.48	7.15	6.39	6.76
16. Bank loans n.e.c.	9.18	10.78	9.98	...	...	...
17. Other loans	11.59	12.05	11.82	4.79	7.93	6.35
18. Consumer credit	10.22	9.47	9.85	5.60	4.62	5.11
19. Open-market paper	10.98	17.53	14.21	17.27	17.57	17.42
20. Trade credit	8.51	10.81	9.65	6.78	8.88	7.83
21. Insurance and pension reserves	...	...	...	7.27	7.47	7.37

22. Direct foreign investment	...	...	...	8.95	9.33	9.14
23. Farm business equity	...	...	...	3.06	8.56	5.77
24. Unincorporated nonfarm equity	...	...	...	3.47	8.33	5.87
25. Common trust fund equity	...	...	...	15.70	10.70	13.17
26. Individual trust fund equity	...	...	...	9.17	3.60	6.35
27. Other financial assets	5.00	9.77	7.36	3.72	7.69	5.69
28. Financial assets	7.56	8.59	8.08	6.46	7.14	6.80
29. Total assets	7.59	8.77	8.18	6.04	8.40	7.21
30. Demand deposits and currency	2.47	5.50	3.98	...	...	...
31. Time and savings deposits	10.39	10.78	10.58	...	...	...
32. U.S. government securities	...	...	...	1.15	4.97	3.04
33. U.S. agency securities	11.62	21.04	16.24	...	...	...
34. State and local government securities	...	...	...	9.42	8.32	8.87
35. Corporate and foreign bonds	12.02	10.19	11.10	6.64	9.65	8.14
36. Mortgages	13.62	11.20	12.40	10.60	9.09	9.84
37. Bank loans n.e.c.	11.41	13.51	12.45	8.93	10.17	9.55
38. Other loans	17.23	12.22	14.70	7.26	10.11	8.67
39. Consumer credit	...	...	...	8.91	8.52	8.71
40. Open-market paper	14.57	17.00	15.78	14.89	18.40	16.63
41. Trade debt	...	...	...	7.09	8.80	7.94
42. Insurance and pension reserves	8.56	7.64	8.10	2.90	6.61	4.74
43. Other liabilities	5.23	10.97	8.06	2.50	5.98	4.23
44. Liabilities	8.29	9.18	8.74	5.98	8.24	7.10
45. Direct foreign investments	...	...	...	9.54	9.27	9.41
46. Common trust funds	15.70	10.70	13.17	...	...	...
47. Individual trust funds	9.17	3.60	6.35	...	...	...
48. Business equities	10.15	6.13	8.12	4.20	9.30	6.72
49. Equities	9.79	5.20	7.47	4.20	9.30	6.72
50. Net worth	...	...	...	6.74	8.14	7.43

**Table 47**                    **Structure of Balance Sheet of All Nonfinancial Sectors, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to gross national product		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1975 (6)
1. Land	9.06	12.27	13.75	60.24	85.93	95.07
2. Structures	24.46	23.14	27.30	162.62	162.09	188.79
3. Consumer durables	5.11	4.43	4.89	33.98	31.03	33.85
4. Equipment	8.15	6.91	6.74	54.21	48.41	46.60
5. Inventories	7.90	5.93	5.70	52.55	41.51	39.44
6. Tangible assets	54.68	52.67	58.38	363.60	368.97	403.74
7. Demand deposits and currency	5.05	3.40	2.43	33.56	23.80	16.80
8. Time and savings deposits	3.96	6.15	7.75	26.32	43.07	53.58
9. U.S. government securities	3.92	2.40	1.90	26.07	16.79	13.11
10. U.S. agencies securities	0.03	0.14	0.37	0.18	1.00	2.58
11. State and local government securities	0.44	0.63	0.60	2.93	4.45	4.14
12. Corporate and foreign bonds	0.12	0.10	0.42	0.81	0.67	2.88
13. Corporate stock	6.05	10.14	5.05	40.21	71.03	34.89
14. Mortgages	0.93	1.05	0.85	6.20	7.33	5.88
15. Other loans	0.72	0.64	0.61	4.82	4.45	4.20
16. Consumer credit	0.43	0.41	0.28	2.85	2.87	1.91
17. Open-market paper	0.06	0.17	0.42	0.38	1.20	2.91
18. Trade credit	2.53	2.73	2.86	16.79	19.09	19.80
19. Insurance and pension reserves	5.08	5.77	5.24	33.79	40.39	36.27

20. Direct foreign investment	0.85	1.15	1.26	5.67	8.04	8.73
21. Farm business equity	5.43	3.97	4.03	36.11	27.78	27.90
22. Unincorporated nonfarm equity	6.31	4.80	4.77	41.86	33.65	32.99
23. Common trust funds	0.05	0.13	0.16	0.32	0.89	1.10
24. Individual trust funds	1.58	2.17	1.32	10.47	15.19	9.12
25. Other financial assets	1.79	1.40	1.31	11.90	9.83	9.03
26. Total financial assets	45.31	47.33	41.62	301.23	331.53	287.83
27. Total assets, percent	100.00	100.00	100.00	664.83	700.50	691.57
28. Total assets, \$ bill.	2,409	4,593	11,149	...	...	...
29. U.S. government securities	9.39	5.59	3.92	62.43	39.14	27.12
30. State and local government securities	1.43	2.02	2.01	9.53	14.17	13.88
31. Corporate and foreign bonds	2.08	2.21	2.51	13.82	15.50	17.36
32. Mortgages	4.19	6.66	7.14	27.86	46.62	49.38
33. Bank loans n.e.c.	1.29	1.74	2.12	8.59	12.16	14.67
34. Other loans	1.06	1.20	1.42	7.02	8.38	9.83
35. Consumer credit	1.30	1.75	1.77	8.66	12.24	12.24
36. Open-market paper	0.06	0.17	0.42	0.38	1.20	2.91
37. Trade debt	2.25	2.50	2.61	14.93	17.53	18.03
38. Insurance and pension reserves	1.41	1.01	0.84	9.36	7.09	5.83
39. Other liabilities	1.62	1.12	0.87	10.79	7.82	6.02
40. Total liabilities	26.08	25.96	25.63	173.37	181.85	177.27
41. Equities <sup>a</sup>	22.87	19.24	21.06	152.00	134.75	145.58
42. Net worth	51.05	54.80	53.31	339.46	383.91	368.72
43. Liabilities, equities, and net worth	100.00	100.00	100.00	664.83	700.50	691.57

<sup>a</sup>Including corporate stock and direct foreign investment.

The rates of growth of the fifty types of assets and liabilities shown in table 46 varied considerably, in the case of financial assets generally in the same pattern discussed in chapter 5 for national assets. Among important financial assets the growth rate for the period as a whole was substantially above that for the nation, for U.S. government and agency securities, and corporate and foreign bonds, and lower for mortgages, other loans, and corporate stock, indicating an increasing degree of institutionalization in these three markets.

The combined balance sheet of all nonfinancial sectors, whose structure is shown in table 47, covers a very large number of heterogeneous units. It is, therefore, to be expected that changes in the balance sheet structure over time are not very pronounced as the changes in the balance sheets of the underlying sectors partly offset each other. Similarly changes in the share of individual assets and liabilities tend rarely in the same direction year after year.

Among assets the share of tangibles increased slightly over the period as a whole. This was the result of a small decline in the first part of the period, and a fairly pronounced rise during the second half reflecting in part advances in tangible asset prices. The trend of the components of tangible assets, however, differed. While the share of structures, particularly of land, increased, that of equipment and inventories declined substantially and that of consumer durables changed little.

The most pronounced changes among financial assets were the sharp increase in the share of corporate stock in the first part of the period and the even sharper decline in the second part, mainly reflecting the price movements of stocks held by households. Among other securities the share of U.S. government securities was cut in half. Another substantial change was the decline of the share of the equity in unincorporated farm and nonfarm business which was limited to the first part of the period. The share of deposits changed little, but this was the result of halving of the share of demand deposits and a near doubling of that of time and savings deposits.

Since nonfinancial sectors account for four-fifths of national assets, the trends and annual fluctuations in their assets and liabilities are similar to those in the national totals which have already been discussed in chapter 4. They can, however, be followed separately in table 45 for annual figures of assets in current and constant prices and changes in them, and for their relations to national product and assets; and in table 46 for average rates of growth of individual assets and liabilities during the 1954–75 period and its two halves.

## **6.4. Households**

### **6.4.1. Trends and Cyclical Movements of Total Assets**

The market value of the total assets of the household sector, shown in table 48, increased between 1953 and 1975 from \$1,244 billion to \$5,640

billion, or at an average annual rate of 7.1 percent per year.<sup>1</sup> Since population grew at an average rate of 1.3 percent the increase in assets per head was 5.7 percent. If account is taken of the substantial rise in prices, particularly during the second half of the period, by adjusting the figures for tangible assets by appropriate price indices and those for financial assets and liabilities by the gross national product deflator, the average rate of growth is reduced to 3.5 percent for aggregate and to 2.1 percent for per head assets.

The rate of growth of household assets was higher in the second than in the first half of the period (7.6 percent against 6.6 percent in current prices), while the opposite relation prevailed if the effect of price changes are removed (2.2 percent against 4.9 percent). The decline is proportionally even sharper in per head terms (1.2 percent against 3.2 percent).

Year-to-year movements in the growth rates, both in current and constant prices, are considerable, and reflect the business cycle to the extent that the ratios are low in most recession years (1957, 1960, 1962, 1966, 1969—instead of the recession year 1970—and 1974), both in current and constant prices; and that the ratios are generally high at the beginning of a recovery (1954, 1958, 1961, 1963, 1967, 1971, 1975).

Another way to determine whether, and to what extent, the combined balance sheet of the household sector is sensitive to cyclical movements in business is to look at the movement of the ratio of household assets to personal disposable income, which can be followed in column 7 of table 48. This ratio shows no trend over the period. Like the annual rates of change, the ratio declines in trough years and rises in the early years of

1. A particular difficulty in the calculation of household assets arises in the case of corporate and foreign bonds. The holdings of these bonds by households are estimated in the flow-of-funds statistics, as all other types of financial assets, by subtracting from the estimated amounts outstanding the reported holdings of other sectors, primarily financial institutions. If this is done, the estimated amounts of corporate and foreign bonds held by households are negative for 1954–57 and 1961–67, an obvious impossibility; and are extremely low—less than one billion dollars—in 1953 and 1958–60. These figures are in sharp contrast to two estimates for 1962 of \$5.0 billion each derived from a sample survey (Bossons 1973, p. 425; Projector and Weiss 1966, p. 61), the more so as sample surveys of financial assets generally yield figures lower than those derived from macroeconomic data. This anomaly does not show up in flow-of-funds statistics as published, because they include nonprofit institutions and personal trust funds in the household sector. The negative figures, however, appear immediately when the estimated holdings of these two sectors, the second of which is fairly reliably known, are deducted from the flow-of-funds figures for the broadly defined household sector. The obvious underestimation of the household sector's holdings of corporate and foreign bonds may be due to an understatement of the amounts of such bonds outstanding or to an overstatement of the holdings of other sectors. Since the figures for the latter are mostly taken from comprehensive and often official statistics while the estimates of outstanding bonds are rather rough, it is more likely that the underestimation of the amount outstanding is responsible. Notwithstanding the obviously biased character of the figures for the earlier part of the period—they may understate the total assets of households by as much as one-fourth of one percent in some years—they are shown in this study for two reasons. First there are no data on which to base a correction; second, any correction would have required deviation from flow-of-funds figures in other sectors, particularly the nonfinancial corporate and financial institutions sectors.

Table 48

## Assets of Household Sector, 1953–75

	Amount (\$ bill.)		Index (1953=100.0)		Annual rate of change (percent)		Personal income (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National Wealth (8)	Assets (9)
	(1)	(2)	prices (3)	(4)	(5)	(6)			
1953	1,244	2,003	100.0	100.0	...	...	4.92	0.931	0.432
1954	1,368	2,175	110.0	108.6	+10.0	+8.6	5.21	0.977	0.443
1955	1,500	2,324	120.6	116.0	+9.6	+6.9	5.30	0.982	0.444
1956	1,604	2,410	128.9	120.3	+6.9	+3.7	5.34	0.963	0.444
1957	1,645	2,415	132.2	120.6	+2.6	+0.2	5.30	0.928	0.439
1958	1,839	2,652	147.8	132.4	+11.8	+9.8	5.62	0.985	0.452
1959	1,953	2,756	157.0	137.6	+6.2	+3.9	5.67	0.994	0.453
1960	2,014	2,821	161.9	140.8	+3.1	+2.4	5.71	0.988	0.451
1961	2,195	3,049	176.4	152.2	+9.0	+8.1	5.86	1.033	0.457
1962	2,216	3,036	178.1	151.6	+1.0	-0.4	5.65	0.995	0.447
1963	2,393	3,245	192.4	162.0	+8.0	+6.9	5.73	1.025	0.450
1964	2,518	3,371	202.4	168.3	+5.2	+3.9	5.57	1.021	0.447
1965	2,759	3,629	221.8	181.2	+9.6	+7.7	5.58	1.047	0.451
1966	2,830	3,624	227.5	180.9	+2.6	-0.1	5.36	1.001	0.442
1967	3,165	3,900	254.4	194.7	+11.8	+7.6	5.61	1.041	0.449
1968	3,537	4,121	284.3	205.7	+11.8	+5.7	5.84	1.062	0.455
1969	3,634	4,010	292.1	200.2	+2.7	-2.7	5.40	0.991	0.442
1970	3,790	4,018	304.7	200.6	+4.3	+0.2	5.32	0.966	0.434
1971	4,147	4,224	333.4	210.9	+9.4	+5.1	5.41	0.986	0.429
1972	4,593	4,478	369.2	223.6	+10.8	+6.0	5.39	0.998	0.433
1973	4,808	4,333	386.5	216.3	+4.7	-3.2	5.08	0.902	0.416
1974	5,013	4,083	403.0	203.8	+4.3	-5.8	4.92	0.820	0.401
1975	5,640	4,299	453.4	214.6	+12.5	+5.3	4.98	0.848	0.409



recoveries, indicating that the cyclical movements in the assets of households, mainly under the influence of stock price fluctuations, are more pronounced than those in national product.

#### 6.4.2. Structural Changes

The largest change in the structure of the combined balance sheet of households (tables 49 and 50) is the sharp decline of the share of corporate stock from 17 percent in 1964 to 9 percent in 1975 (about 19 percent and 10½ percent if the stocks in trust funds are included)—both slightly below the level of 1953—which mainly reflects the inability of stock prices to keep up in the last few years of the period with the rise in gross national product and in tangible assets prices, but also the virtual cessation of net purchases of corporate stock by households. The second, and almost equally large, change is the increase in the share of time and savings deposits from fully 7 percent in 1953 to nearly 14 percent of total assets in 1975, which indicates a change in households' investment preferences, but may also reflect an increase in the share in total income of those groups in the population who habitually keep a relatively high part of their assets in the form of time and savings deposits, i.e., people in the lower and middle income and the upper age groups. The third important change is the increase in the share of land and structures, from fully 20 to 26 percent, more than one-half of the increase accounted for by land, which is strongly affected by the sharp rise in the prices. The fourth change is the decline in the share of the equity in unincorporated business from 23 to 17 percent. The fifth change is the increase in the share of liabilities from less than 9 to over 13 percent of assets, an increase in which practically all forms of household debt participated. A few other assets and liabilities increased or reduced their share to an extent considerable in relation to their 1953 level but small in comparison to total household assets. Thus the share of U.S. government and agency securities declined from 4.7 to 1.9 percent, while that of state and local government securities increased from 0.6 to 1.0 percent, and the share of currency and demand deposits fell from 5.1 to 2.9 percent. For two other assets, with a combined share of one-fifth, finally, the 1953 and 1975 shares were similar, viz., consumer durables and insurance and pension reserves.

Household liabilities increased considerably more rapidly than their assets with the result that the debt ratio rose from 8 to 13 percent, mostly in the first part of the period, but the structure of debt changed little. Home mortgages continued to be by far most the important form of debt, their share in recorded liabilities rising from slightly below 60 percent at the beginning of the period to 64 percent in 1964 and 1975. The share of consumer credit, the second largest form of individuals' liabilities, declined from 30 percent of the total in 1953 to 26 percent in 1964 and 1975.

**Table 49**                    **Structure of Household Assets and Liabilities, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to personal disposable income		
	1953	1964	1975	1953	1964	1975
	(1)	(2)	(3)	(4)	(5)	(6)
1. Land	5.22	7.86	8.76	25.67	43.83	43.58
2. Residential structures	15.06	14.62	17.11	74.10	81.48	85.10
3. Consumer durables	9.90	8.08	9.67	48.70	45.05	48.13
4. Consumer semidurables	3.55	2.51	2.59	17.45	14.00	12.90
5. Tangible assets	33.73	33.07	38.13	165.92	184.36	189.71
6. Demand deposits and currency	5.02	2.93	2.90	24.70	16.35	14.45
7. Time and savings deposits	7.22	10.33	13.69	35.51	57.59	68.08
8. U.S. government securities	4.65	2.72	1.73	22.87	15.16	8.61
9. U.S. agency securities	0.01	0.19	0.16	0.04	1.05	0.79
10. State and local government securities	0.59	0.92	1.02	2.89	5.14	5.07
11. Corporate and foreign bonds	0.04	-0.11	0.58	0.20	-0.61	2.87

12. Mortgages	1.49	1.55	1.19	7.32	8.65	5.91
13. Open-market paper	0.01	0.00	0.19	0.04	0.01	0.93
14. Corporate stock	10.69	17.00	8.94	52.59	94.75	44.49
15. Insurance and pension reserves	9.84	10.52	10.37	48.42	58.63	51.57
16. Other financial assets	0.88	0.68	0.78	4.35	3.77	3.86
17. Farm business equity	10.52	7.24	7.98	51.75	40.33	39.67
18. Unincorporated nonfarm equity	12.19	8.76	9.43	59.98	48.85	46.91
19. Common trust fund equity	0.09	0.23	0.32	0.46	1.29	1.57
20. Individual trust fund equity	3.05	3.96	2.61	15.01	22.06	12.97
21. Financial assets	66.27	66.93	61.87	326.15	373.00	307.75
22. Total assets	100.00	100.00	100.00	492.07	557.36	497.48
23. Mortgages	5.04	7.85	8.53	24.79	43.76	42.45
24. Bank loans n.e.c.	0.29	0.41	0.29	1.42	2.29	1.45
25. Other loans	0.29	0.40	0.56	1.41	2.24	2.78
26. Consumer credit	2.52	3.19	3.50	12.42	17.77	17.40
27. Other liabilities	0.34	0.45	0.38	1.70	2.52	1.89
28. Total liabilities	8.48	12.30	13.26	41.74	68.58	65.97
29. Net worth	91.52	87.70	86.74	450.33	488.78	431.51

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**Table 50**      **Main Components of Balance Sheets of Households, 1953-75**  
(percent of total assets)

	Tangible assets		Financial assets		Total assets (5)	Liabil- ities (6)	Net worth (7)
	Total (1)	Land (2)	Total (3)	Corporate stock (4)			
1953	33.72	5.22	66.28	10.69	100.00	8.48	91.52
1954	32.70	5.31	67.30	14.31	100.00	8.59	91.41
1955	32.82	5.66	67.18	15.92	100.00	9.13	90.87
1956	33.25	6.07	66.75	15.83	100.00	9.51	90.49
1957	34.73	6.62	65.27	13.41	100.00	9.99	90.01
1958	33.13	6.63	66.87	17.07	100.00	9.62	90.38
1959	33.65	7.17	66.35	17.23	100.00	10.12	89.88
1960	34.12	7.38	65.88	16.35	100.00	10.69	89.31
1961	32.65	7.37	67.35	19.14	100.00	10.61	89.39
1962	33.80	7.80	66.20	16.28	100.00	11.45	88.55
1963	32.93	7.72	67.07	17.71	100.00	11.77	88.23
1964	33.08	7.86	66.92	17.00	100.00	12.30	87.70
1965	31.98	7.71	68.02	19.18	100.00	12.32	87.68
1966	33.01	7.93	66.99	16.76	100.00	12.77	87.23
1967	31.85	7.51	68.15	19.46	100.00	12.21	87.79
1968	31.55	7.09	68.45	20.99	100.00	11.90	88.10
1969	33.58	7.56	66.42	17.50	100.00	12.39	87.61
1970	33.75	7.39	66.25	16.29	100.00	12.48	87.52
1971	33.15	7.40	66.85	16.88	100.00	12.47	87.53
1972	33.17	7.46	66.83	16.58	100.00	12.75	87.25
1973	36.25	8.23	63.75	11.21	100.00	13.60	86.40
1974	38.98	8.90	61.02	7.45	100.00	13.89	86.11
1975	38.13	8.76	61.87	8.94	100.00	13.26	86.74

The structure of the household balance sheet in constant (1972) prices does not differ greatly from that in current prices. This is largely due to the fact that the same index, the gross national product deflator, has been applied to all types of financial assets and to the totality of liabilities. Differences between the current and constant price distributions thus essentially reflect differences in the movements of tangible asset prices and the gross national product deflator. The differences in the shares are moderate even for tangible assets. Their share in total assets rises only slightly more in current than in constant prices for land and for structures, indicating a price rise exceeding that in the gross national product deflator. In the case of consumer durables and semidurables the share rises more in constant prices reflecting a price rise for these goods of less than the advance in the gross national product deflator.

Some idea of the regularity or irregularity of the movements of the shares of individual assets and liabilities may be derived from table 51, which shows in each case the proportion of the twenty-two years of the entire period and of the two eleven-year subperiods during which the share advanced or declined. By this standard, which, of course, does not take account of the size of each advance or decline, the most regular movements over the entire period were, in declining order, the increases in the share of mortgage debt, time and savings deposits, and land; and the declines in the share of U.S. government securities, demand deposits, and net worth.

A similar picture necessarily emerges when the calculation is based on the relation of each asset or liability to personal disposable income. No category of asset or liability increased more rapidly than personal disposable income in every one of the twenty-two years of the period, but time and savings deposits did so in every year but two, followed at a substantial distance by insurance and pension reserves, whose ratio advanced in sixteen of the twenty-two years. The asset whose relation to personal disposable income declined most regularly was U.S. government securities, the ratio falling in all but three years.

#### 6.4.3. Rates of Growth of Assets and Liabilities

The changes in the balance sheet structure reflect the differences in the rates of growth of the various assets and liabilities shown in table 52. The rates for tangible and financial assets and for liabilities of 7.7, 6.8, and 9.3 percent were fairly close together, but the range of individual components within the three groups was substantial. Thus among tangible assets the average rate of growth ranged between 5.6 percent for consumer semidurables and 9.7 percent for land. The spread was wider among financial assets, from less than 2.5 percent for U.S. government securities to 24 percent for open-market paper. Among major assets, time and savings deposits, state and local government securities, and corporate

**Table 51**      **Proportion of Years in Which Share of Given Asset, Liability or Net Worth in Total Assets of Households or Relation to Personal Disposable Income Increased,\* 1954-75**

	Share of assets			Ratio to personal disposable income		
	1954 to 1964 (1)	1965 to 1975 (2)	1954 to 1975 (3)	1954 to 1964 (4)	1965 to 1975 (5)	1964 to 1975 (6)
	1. Land	.82	.64	.73	.91	.36
2. Residential structures	.55	.45	.50	.64	.45	.55
3. Consumer durables	.35	.55	.45	.45	.64	.55
4. Consumer semidurables	.26	.50	.38	.00	.45	.23
5. Demand deposits and currency	.09	.41	.25	.00	.55	.28
6. Time and savings deposits	.73	.68	.73	1.00	.82	.91
7. U.S. government securities	.14	.17	.16	.09	.23	.16
8. U.S. agency securities	.73	.36	.55	.77	.45	.62
9. State and local government securities	.73	.50	.62	.64	.45	.55

10. Corporate and foreign bonds	.45	.77	.61	.36	.59	.48
11. Mortgages	.55	.36	.45	.73	.09	.41
12. Open-market paper	.50	.50	.50	.45	.55	.50
13. Corporate stock	.55	.36	.45	.64	.36	.50
14. Insurance and pension reserves	.55	.64	.60	.91	.55	.73
15. Other financial assets	.32	.55	.43	.27	.55	.41
16. Farm business equity	.09	.55	.32	.18	.45	.32
17. Unincorporated nonfarm business equity	.18	.45	.32	.18	.37	.28
18. Common trust funds	.82	.59	.70	.76	.64	.70
19. Individual trust funds	.55	.27	.41	.55	.45	.50
20. Mortgages	.91	.64	.78	1.00	.36	.68
21. Bank loans n.e.c.	.73	.50	.62	.73	.26	.50
22. Other loans	.59	.73	.66	.91	.55	.73
23. Consumer credit	.73	.63	.68	.73	.55	.64
24. Other liabilities	.50	.55	.52	.45	.45	.45
25. Net worth	.18	.32	.25	.73	.36	.54

<sup>a</sup>Years in which share did not change counted as one-half.

**Table 52**                    **Rates of Growth of Household Assets, Liabilities and Net Worth, 1954–75**  
(percent per year)

	Current prices			Constant prices		
	1954 to 1964 (1)	1965 to 1975 (2)	1954 to 1975 (3)	1954 to 1964 (4)	1965 to 1975 (5)	1954 to 1975 (6)
1. Land	10.67	8.67	9.67	9.24	2.76	5.95
2. Residential structures	6.33	9.16	7.74	4.87	3.21	4.04
3. Consumer durables	4.67	9.38	7.00	3.92	6.13	5.02
4. Consumer semidurables	3.33	7.92	5.60	2.51	3.68	3.09
5. Tangible assets	6.43	9.01	7.71	5.29	3.86	4.57
6. Demand deposits and currency	1.54	7.51	4.48	-0.43	2.01	0.78
7. Time and savings deposits	10.16	10.39	10.27	8.02	4.74	6.37
8. U.S. government securities	1.55	3.27	2.41	-0.42	-2.01	-1.22
9. U.S. agency securities	42.96	6.02	23.11	40.20	0.59	18.76
10. State and local government securities	11.06	8.60	9.83	8.91	3.04	5.94



11. Corporate and foreign bonds	...	...	20.74	...	...	16.46
12. Mortgages	7.02	5.03	6.02	4.95	-0.34	2.27
13. Open-market paper	-11.75	74.52	24.10	-13.56	65.75	19.70
14. Corporate stock	11.21	1.51	6.25	9.06	-3.69	2.49
15. Insurance and pension reserves	7.27	7.47	7.37	5.19	1.97	3.57
16. Other financial assets	4.05	8.96	6.48	2.03	3.39	2.71
17. Farm business equity	3.06	8.56	5.77	1.06	3.01	2.03
18. Unincorporated nonfarm business equity	3.47	8.33	5.87	1.47	2.74	2.12
19. Common trust funds	15.67	10.71	13.16	13.43	5.04	9.16
20. Individual trust fund equity	9.17	3.60	6.35	7.06	-1.70	2.59
21. Financial assets	6.71	6.84	6.78	4.65	1.34	2.98
22. Total assets	6.62	7.61	7.11	4.85	2.21	3.52
23. Mortgages	11.01	8.43	9.71	8.86	2.88	5.82
24. Bank loans	10.09	4.33	7.17	7.96	-1.01	3.37
25. Other loans	9.95	10.90	10.42	7.82	5.22	6.51
26. Consumer credit	8.91	8.52	8.71	6.80	2.96	4.86
27. Other liabilities	8.34	5.89	7.59	7.19	0.47	3.78
28. Total liabilities	10.29	8.34	9.31	8.15	2.80	5.44
29. Net worth	6.21	7.50	6.85	4.46	2.15	3.30

---

and foreign bonds<sup>2</sup> grew considerably more rapidly than total financial assets, while demand deposits and currency and equity in unincorporated business lagged behind.

Rates of growth differed considerably between the first and the second half of the period for the totals as well as for most components. Growth rates were higher in the second half for most tangible assets, land being the exception, but lower for all components of liabilities except other loans. Developments were mixed for financial assets, which in total grew at about the same rate during both halves of the period. Some components accelerated growth considerably, such as currency and demand deposits and equity in unincorporated business. Others decelerated, particularly sharply in the case of corporate stock, less so for government securities and mortgages.

The picture is quite different when the figures are adjusted for price changes. Not only are the rates of growth for the period as a whole considerably lower—3.5 percent against 7.1 percent for total assets—but the relative position of the two halves of the period is reversed, growth now generally being considerably lower, rather than higher, in the second half with 2.2 percent compared to 4.9 percent in the first half. This pattern is found for all four totals, but is more pronounced for financial assets and liabilities than for tangible assets and net worth. It also applies to most components. The main exceptions are consumer durables and semidurables and the equity in unincorporated business, which depends on the price of tangible assets, as well as currency and demand deposits. On the other hand the decline in the rate of growth was sharpest for corporate stock (from +9.1 to -3.7 percent); for trust funds, which contain a large corporate stock component; for state and local government securities; and, among smaller instruments, U.S. agency securities.

#### 6.4.4. Liquidity

The liquidity of the household sector as a whole, which can be followed in table 53, has been fairly stable over most of the period at between 16 and 18 percent of total assets, rising to over 20 percent at the end of the period. Of the two main groups of liquid assets, one, deposits with financial institutions, has gained in relative importance, rising from 12 to 17 percent of total assets and from 18 to 27 percent of financial assets. The second component of liquid assets, fixed-interest-bearing securities of varying but usually high liquidity, has declined from over 5 to 3.5 percent of total assets; from 8 to 6 percent of financial assets; and from 30 to 17 percent of all liquid assets. Liquid assets increased slightly more rapidly than personal disposable income, the ratio rising over the period from

2. The very high rate of growth for corporate and foreign bonds (nearly 21 percent per year) is probably due in part to serious underestimation of holdings in 1953.

Table 53

## Liquidity of Household Sector, 1953-75

	Percent of total assets				Percent of personal disposable income			
	Deposits <sup>a</sup> (1)	Fixed interest securities <sup>b</sup> (2)	Total (3)	Short-term debt <sup>c</sup> (4)	Deposits (5)	Fixed interest securities <sup>b</sup> (6)	Total (7)	Short-term debt <sup>c</sup> (8)
1953	12.3	5.3	17.6	3.4	60.3	26.0	86.3	16.9
1954	11.9	4.7	16.6	3.4	62.2	24.3	86.5	17.4
1955	11.5	4.6	16.1	3.6	60.7	24.2	84.9	18.9
1956	11.4	4.6	16.0	3.6	60.9	24.6	85.5	19.3
1957	11.8	4.7	16.5	3.7	62.5	25.0	87.5	19.6
1958	11.4	4.1	15.5	3.5	64.0	23.2	87.2	19.4
1959	11.4	4.2	15.6	3.7	64.8	24.0	88.8	20.8
1960	11.8	4.3	16.1	3.9	67.1	24.3	91.4	22.1
1961	11.6	3.9	15.5	3.8	67.6	22.9	90.5	22.1
1962	12.6	3.9	16.5	4.1	71.0	21.9	92.9	22.9
1963	12.7	3.7	16.4	4.2	72.6	21.2	93.8	24.2
1964	13.3	3.7	17.0	4.5	73.9	20.7	94.6	24.8
1965	13.4	3.5	16.9	4.5	74.7	19.6	94.3	25.3
1966	13.9	3.8	17.7	4.7	74.4	20.1	94.5	25.2
1967	13.7	3.4	17.1	4.6	77.1	19.2	96.3	25.7
1968	13.5	3.3	16.8	4.6	78.6	19.2	97.8	26.8
1969	13.5	3.9	17.4	4.8	72.8	21.2	94.0	25.8
1970	14.2	3.7	17.9	4.8	75.7	19.9	95.6	25.5
1971	14.9	3.2	18.1	4.8	80.3	17.4	97.7	25.9
1972	15.3	3.0	18.3	4.9	82.3	16.0	98.3	26.5
1973	16.3	3.3	19.6	5.1	82.9	16.5	99.4	26.1
1974	17.1	3.6	20.7	5.1	83.9	17.6	101.5	25.0
1975	16.8	3.5	20.3	4.7	83.5	17.3	100.8	23.5

<sup>a</sup>Including currency and open-market paper.

<sup>b</sup>Government, corporate and foreign fixed interest securities.

<sup>c</sup>All liabilities except mortgages.

0.86 to 1.01. Again deposits with financial institutions gained in importance, their ratio to personal disposable income rising from 0.60 to 0.84, while the ratio of liquid securities fell from 0.26 to 0.17.

Short-term debt, which may be regarded as an offset to liquid assets, showed an upward trend, rising from 3.4 to 4.7 percent of total assets and from 17 to 24 percent of personal disposable income, but kept throughout most of the period close to fully 20 percent of liquid assets.

The annual movements of the liquid asset ratio conform to the business cycle pattern insofar as they show mild peaks in all trough years, except 1970, but no regular movements during upswings.

#### 6.4.5. Leverage Ratio

Another important relationship that can be studied in the combined balance sheet of the household sector is that between price-sensitive assets, fixed value assets and debt which together determine the leverage ratio defined as the ratio of price-sensitive assets to net worth (Goldsmith, Lipsey and Mendelson 1963, vol. 1, chap. 8).

The share of price-sensitive in total assets remained, as table 54 shows, throughout the period within the narrow range of 67 and 73 percent with no trend during the first part of the period, but a slight downward movement during the second half. This relative stability, however, was the result of offsetting movements of the different types of price-sensitive assets. Common stocks were by far the most volatile component, their share keeping from 1954 to 1972 without definite trend within the range of 14 to 21 percent of total assets, but then declining sharply to 9 percent at the end of the period. The share of tangible assets, the largest component, fluctuated before 1973 only between 32 and 35 percent, rising to close to two-fifths at the end of the period. The value of the equity in farm and nonfarm unincorporated businesses, which reflects the changes in the value of the tangible assets of these two sectors, showed a downward trend in the first half of the period, during which it declined from 23 to 16 percent of total assets, a level it maintained during the second half. The share of the relatively small equity in trust funds showed movements similar to those of common stocks, which is to be expected as stocks constitute a large proportion of trust fund assets. In contrast to price-sensitive assets the ratio of liabilities to total assets showed an upward trend throughout the period, although at a very low level, which carried it from less than 9 to nearly 14 percent of assets.

In view of the relatively small and partly offsetting fluctuations in the share of price-sensitive assets and the debt ratio it is not astonishing that the leverage ratio remained without trend within the narrow range of 0.77 and 0.81, the relatively low values reflecting the modest debt ratio of the household sector.

**Table 54**      **Leverage Ratio of Household Sector, 1953–75**  
 (percent of total assets for cols. 1–6)

	Price-sensitive assets					Liabil- ities (6)	Leverage ratio (5)
	Tangible assets (1)	Corporate stock (2)	Trust funds (3)	Equity in unincorpo- rated business (4)	Total (5)		100.0 – (6) (7)
1953	33.7	10.7	3.2	22.7	70.2	8.5	0.77
1954	32.7	14.3	3.5	21.0	71.5	8.6	0.78
1955	32.8	15.9	3.7	19.8	72.2	9.2	0.79
1956	33.3	15.8	3.5	19.6	72.2	9.5	0.80
1957	34.7	13.4	3.1	20.0	71.2	10.0	0.79
1958	33.1	17.1	3.4	19.0	72.6	9.6	0.80
1959	33.7	17.2	3.5	18.0	72.4	10.1	0.81
1960	34.1	16.4	3.5	17.6	71.8	10.7	0.80
1961	32.7	19.1	3.9	16.7	72.4	10.6	0.81
1962	33.8	16.3	3.9	17.1	71.1	11.5	0.80
1963	32.9	17.7	4.2	16.3	71.1	11.8	0.81
1964	33.1	17.0	4.2	16.0	70.3	12.3	0.80
1965	32.0	19.2	4.2	15.4	70.8	12.3	0.81
1966	33.0	16.8	4.0	15.8	69.6	12.8	0.80
1967	31.9	19.5	4.0	14.9	70.3	12.2	0.80
1968	31.6	21.0	3.9	14.5	71.0	11.9	0.81
1969	33.6	17.5	3.7	15.2	70.0	12.4	0.80
1970	33.8	16.3	3.6	15.5	69.2	12.5	0.79
1971	33.2	16.9	3.9	15.0	69.0	12.5	0.79
1972	33.2	16.6	4.0	14.8	68.6	12.8	0.78
1973	36.3	11.2	3.6	16.7	67.8	13.6	0.78
1974	39.0	7.5	2.8	17.8	67.1	13.9	0.78
1975	38.1	8.9	2.9	17.4	67.3	13.3	0.78

#### 6.4.6. Subsectors of the Household Sector<sup>3</sup>

The household sector which covers over 70 million units in 1975, ranging from households with hardly any assets or net debt to millionaires, is very heterogeneous in its balance sheet structure as in many other respects. Analysis would be greatly helped if the sector's overall balance sheet just discussed could be supplemented by equally detailed and statistically comparable balance sheets for subsectors classified, for example, by wealth, income, race, sex, occupation, or residence, available annually or at fairly short intervals.

##### 6.4.6.1. *Top 1 percent of wealthholders*

At the moment a balance sheet for top wealthholders is the only one that can be constructed for half a dozen benchmark years during the period using statistics of estate tax returns (Internal Revenue Service, *Personal Wealth*, various issues). This can be done for numerous size groups of wealthholders with assets of more than \$60,000, the lower limit of the estate tax. Here, however, if only for reasons of space, only one subgroup will be used, the top 1 percent of wealthholders, as shown in table 55. This group has the advantage of not being unduly affected by the rapid rise in nominal wealth, which has increased the number of individuals with wealth of over \$60,000 from 2.0 million in 1953 to 12.8 million in 1972. Use has been made here of Smith and Franklin's estimates for the years 1953, 1958, 1962, 1965, 1969, and 1972, which are based on estate tax statistics. Although the number of wealthholders in this group is small, they accounted for about one-fourth of the aggregate wealth of all households, and for considerably more for several important assets, such as corporate stock and tax-exempt securities.

The outstanding difference in the balance sheet structure of the top 1 percent of wealthholders and of the entire household sector is the much higher share of securities held by this group. In 1975 they kept 30 percent of their total wealth in corporate stock and 12 percent in bonds, compared to about 9 and less than 4 percent for all households. The difference was even greater in earlier years. Thus in 1969 the share of corporate stock was 50 percent for the top wealthholders against only 12 percent for the entire household sector. On the other hand the importance of bank deposits and of insurance and pension reserves was much smaller for top wealthholders, and that of real estate slightly smaller. Liabilities were somewhat larger in relation to assets for top wealthholders. These relationships are fairly stable, excluding the share of corporate stock, but not

3. While the coverage of wealth differs among investigations, most of them omit household equity in personal trust funds and none of them includes social security wealth. This introduces a bias toward a higher degree of inequality, reducing the share of lower income and wealth groups; toward a lower share of the older age groups; and probably also toward an understatement of the share of nonwhites.

**Table 55**                      **Balance Sheet Structure of Top 1 Percent of Wealthholders: Selected Dates, 1953–75**  
(percent of total assets)

	1953 (1)	1958 (2)	1962 (3)	1965 (4)	1969 (5)	1972 <sup>a</sup> (6)	1975 (7)
1. Real estate	22.2	22.7	21.5	19.1	20.1	21.5	29.5
2. Corporate stock	42.8	48.1	48.2	51.2	49.9	47.0	30.0
3. Bonds	12.5	8.7	7.0	8.9	8.4	9.1	12.5
4. Cash	9.4	7.9	7.8	8.8	8.4	9.7	12.5
5. Debt instruments	3.6	3.9	4.0	3.6	3.5	3.9	4.5
6. Life insurance	3.0	2.7	2.0	1.5	1.6	1.0	1.0
7. Miscellaneous	6.5	6.0	9.6	6.9	8.1	8.0	10.0
8. Liabilities	9.5	9.2	11.1	10.3	11.8	12.5	15.0
9. Net worth	90.5	90.8	88.9	89.7	88.2	87.5	85.0

<sup>a</sup>For more detailed tabulation of wealth of top wealthholders cf. Natrella 1975.

*Sources:*

1953 Smith and Franklin 1976, p. 162.

1958–72 *Statistical Abstract*, 1975, p. 427.

1975 Rough estimates (rounded to nearest 0.5 percent) extrapolated from 1972 data and balance sheet of household sector assuming no change in share of top 1 percent of wealthholders in different assets and liabilities.

immutable, as can be seen from a comparison of 1975 and 1953 balance sheets.

#### 6.4.6.2. *Households of different size of wealth*

The only three estimates of household wealth by size of assets that cover the entire gamut of wealth, and in more detail than the estate tax returns, are those of the Federal Reserve Board staff (Projector and Weiss 1966), which refers to the year 1962; that of Bossons (1973), also for 1962, derived from the same sample, but not covering liabilities; and those of Wolff for 1969 (1979a and 1979b).

Bossons's estimate for total assets of households (table 56) is substantially lower than the figures used here, \$1,598 billion against \$2,216 billion or 28 percent less, and is almost equally far from Smith's estimate of \$2,094 billion (*Statistical Abstract*, 1976, p. 427). The discrepancy, however, is the result of differences of very different size and even direction in individual assets. Thus the differences are relatively narrow in the case of real estate, corporate stock, and noncorporate business assets. On the other hand, Bossons's blown-up sample figures are far below the aggregative figures used here for checking and saving deposits, bonds, insurance and pension reserves, and household goods. Mortgages and notes are the only types of assets for which Bossons's estimates exceed those used here.

While the asset structure of one single year obviously cannot be regarded as representative for the entire postwar period, the more so because of the differences in the totals for different assets between Bossons's and Projector and Weiss's estimates and those used here, and because of the sharp price changes in the case of stocks, it should at least give an idea of the asset structure of wealthholders of less than \$60,000, for whom no estimates based on estate tax returns are available. In particular the finding that the mass of wealthholders of below \$60,000 are holding most of their modest wealth, specifically to the extent of more than 80 percent, in home, household goods, savings deposits, and life insurance (their share in pension reserves is not included) is very probably valid for years other than 1962.<sup>4</sup>

The seven-eighths of the population who in 1962 had assets of less than \$15,000 kept the overwhelming majority of their reported holdings, which accounted for only one-sixth of the total for all households, in four basic assets, viz., principal residence (47 percent), household goods (9 percent), savings deposits (12 percent), and life insurance (13 percent). They held only 2.5 percent in bonds, almost entirely Treasury savings

4. Because of the rise in the price level and in household wealth between 1962 and 1975, the distribution at a given level of wealth of 1962 in tables 56 and 57 should be regarded as applicable to wealth brackets about twice as high in 1975 as those shown in the tables. The same applies to the income brackets in table 58.



**Table 56**      **Asset Structure of Households of Different Wealth, 1962**  
(percent of total assets)

	Wealth (\$ 000)								All classes (9)
	Below 15 (1)	15 to 30 (2)	30 to 60 (3)	60 to 100 (4)	100 to 200 (5)	200 to 500 (6)	500 to 1,000 (7)	Over 1,000 (8)	
1. Principal residence	46.8	59.1	35.9	21.6	16.5	7.5	6.8	2.0	29.2
2. Other real estate	2.5	4.8	10.7	14.6	15.0	8.0	10.1	5.9	8.0
3. Household goods	9.4	5.0	3.5	2.1	1.6	1.9	0.6	0.5	3.6
4. Checking accounts	2.5	1.3	1.3	1.2	2.0	1.5	1.2	0.7	1.5
5. Savings deposits	12.0	7.2	9.0	7.4	7.6	2.6	1.8	0.6	6.6
6. Brokerage accounts	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0
7. Federal savings bonds	2.4	1.7	2.6	2.9	1.5	0.7	0.6	0.1	1.7
8. Other federal securities	0.0	0.0	0.1	0.1	0.3	0.5	0.8	1.8	0.4
9. State and local government securities	0.0	0.0	0.0	0.4	0.1	0.6	2.7	3.4	0.8
10. Corporate and foreign bonds	0.1	0.3	0.6	0.4	0.3	0.4	0.2	0.6	0.4
11. Traded stock	1.3	3.0	6.4	18.8	16.2	32.3	24.6	26.9	13.7
12. Closely held stock	0.1	0.5	3.1	2.0	11.6	11.4	20.4	36.6	9.7
13. Other stock	0.0	0.1	0.1	0.1	0.1	0.2	1.4	0.5	0.2
14. Mortgages and notes	1.1	1.1	2.8	3.6	5.8	5.8	4.6	1.6	2.8
15. Equity in life insurance	12.6	5.5	4.3	3.1	3.6	2.2	2.6	0.7	4.8
16. Annuities	0.0	0.1	0.1	0.0	0.2	0.0	0.0	0.0	0.1
17. Trust assets	0.4	0.0	0.7	0.6	1.0	1.8	13.7	13.6	3.4
18. Noncorporate business assets	5.8	7.9	15.8	19.1	14.5	18.7	6.0	3.5	10.8
19. Profit-sharing plans	0.4	0.5	0.5	0.4	0.8	0.2	0.6	0.2	0.4
20. Retirement plans	2.5	1.8	1.3	1.4	0.9	0.3	0.4	0.1	1.2
21. Estates in probate	0.0	0.0	1.0	0.1	0.5	3.3	1.0	0.6	0.7
22. Total assets, percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
23. Total assets, \$ bill.	257.3	286.5	280.2	139.3	136.7	157.5	101.0	239.0	1,597.6
24. Number of persons, mill.	154.6	13.3	6.8	1.9	1.0	0.5	0.5	0.1	178.4

Source of basic data: Bossons 1973, pp. 425-26.

bonds; and less than 1.5 percent in stocks. In the middle range of assets, between \$60,000 and \$100,000, holdings are much more diversified. The four basic assets account for only one-third of the total, whereas stocks and noncorporate business assets represent about one-fifth each and other real estate about one-seventh. The same tendencies become more pronounced as wealth increases. In the top group of households, with over \$1 million of assets, numbering only about 100,000, but accounting for 15 percent of the total or nearly as much as the 155 million people with less than \$15,000 of wealth, the four basic assets have become quite negligible, accounting for less than 4 percent of the total. Corporate stocks, particularly in closely held companies, are now by far the most important asset with well over three-fifths of the total, followed by trust assets, which also consist largely of stocks, with one-seventh. Only one other asset accounted for as much as 5 percent of the total, viz., other real estate with 6 percent.

Bossons's estimates for assets can be supplemented by the figures developed for assets and liabilities from the sample data by the Federal Reserve Board staff shown in table 57. They indicate a sharp decline in the debt/asset ratio with increasing wealth, even more pronounced for installment debt than for home mortgages. As a result, debts exceed assets for households with less than \$5,000 assets, while the debt ratio falls from over two-thirds for households with a wealth of \$5,000 to \$10,000 to less than 5 percent for households with assets in excess of \$200,000.

#### 6.4.6.3. *Households of different income*

Since it may be assumed that the structure of assets and liabilities of households is influenced, among other factors, by the household's income, balance sheets of households classified by income are wanted. The only detailed estimate covering the entire range of incomes, again based on the Federal Reserve Board inquiry of 1962, is shown in table 58.

The share of most assets shows a definite relation to income, generally the same as observed in the case of wealth. Thus the share of home, automobiles (and presumably other household goods), savings deposits and U.S. savings bonds declines with income, while that of corporate stock and other securities rises sharply, in the case of stock from less than 7 percent for income below \$5,000 to 56 percent for incomes over \$100,000. In contrast the share of own business equity fluctuates without trend between 12 and 21 percent with the exception of the \$50,000 to \$100,000 income bracket for which it jumps to 43 percent. The ratio of debt to assets rises from 8 percent to a maximum of 32 percent in the \$7,500 to \$10,000 bracket, and then declines to about 5 percent for incomes in excess of \$100,000. Home mortgages, which account for two-thirds of total debt, follow the same pattern. Installment debt, on the

Table 57

**Structure of Household Balance Sheet by Wealth of Unit, 1962**  
(percent of total assets)<sup>a</sup>

	Wealth (\$ 000)									
	0 to 1 (1)	1 to 5 (2)	5 to 10 (3)	10 to 25 (4)	25 to 50 (5)	50 to 100 (6)	100 to 200 (7)	200 to 500 (8)	Over 500 (9)	All classes (10)
1. Own home	10.1	47.7	58.6	55.2	36.9	20.5	17.2	8.6	4.5	27.0
2. Other real estate	...	1.9	2.3	5.6	8.8	12.0	11.7	6.7	6.0	7.5
3. Automobile	48.0	16.4	8.4	5.3	3.2	2.2	1.7	0.8	0.2	3.1
4. Business or profession	2.3	3.1	8.6	9.3	18.9	24.2	17.3	24.1	23.4	18.5
5. Checking account	14.6	5.5	3.6	1.9	1.9	1.6	2.0	1.5	1.4	1.9
6. Savings account	14.6	16.9	10.2	12.3	12.9	10.3	10.3	3.9	1.9	8.6
7. U.S. savings bonds	4.8	3.3	3.0	2.2	3.3	3.8	1.9	1.6	0.4	2.2
8. Publicly traded stock	2.0	2.0	1.9	3.5	7.2	17.2	23.9	32.2	33.4	17.7
9. Other marketable securities	...	0.1	0.2	0.5	0.6	0.9	0.6	1.9	6.7	2.1
10. Mortgages	...	1.2	0.7	1.3	1.4	3.2	1.7	4.2	1.3	1.9
11. Business not managed by unit	0.8	...	0.3	1.2	2.9	1.6	9.5	11.0	2.2	3.6
12. Company savings plans	0.5	1.1	0.7	0.8	0.7	0.7	1.0	0.3	0.3	0.6
13. Miscellaneous assets	2.3	0.9	1.4	1.0	1.5	1.7	1.4	3.2	18.4	5.3
14. Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15. Home mortgages	130.3	96.4	55.4	21.5	7.7	4.1	3.7	1.5	0.2	12.1
16. Other secured debt	1.0	1.4	2.2	2.1	2.3	3.7	1.8	1.8	3.2	2.5
17. Installment debt	124.0	20.5	7.4	3.2	1.1	0.4	0.5	0.0	0.0	2.3
18. Policy loans	0.3	1.0	0.3	0.3	0.2	0.3	0.2	0.6	0.1	0.3
19. Other debt	38.1	7.2	2.4	1.1	0.6	0.4	0.5	0.8	0.7	1.1
20. Total debt	293.7	126.4	67.7	28.2	11.9	8.9	6.7	4.7	4.3	18.3
21. Net worth	-193.7	-26.4	32.3	71.8	88.1	91.1	93.3	95.3	95.7	81.7

<sup>a</sup>Assets less unsecured debt.

Source of basic data: Projector and Weiss 1966, pp. 110, 118, 130.

**Table 58**                      **Structure of Household Balance Sheet by Income of Unit, 1962**  
(percent of total assets)

	Income (\$ 000)									
	0 to 3 (1)	3 to 5 (2)	5 to 7.5 (3)	7.5 to 10 (4)	10 to 15 (5)	15 to 25 (6)	25 to 50 (7)	50 to 100 (8)	100 and over (9)	All levels (10)
1. Own home	42.0	33.8	34.0	37.0	34.1	23.9	11.2	5.9	5.2	27.0
2. Other real estate	3.9	9.9	6.5	9.6	6.8	10.1	10.4	3.0	3.0	7.5
3. Automobile	2.0	4.0	4.8	4.5	4.9	3.2	1.0	.4	.3	3.1
4. Business or profession	19.1	12.6	17.3	11.9	15.3	16.2	21.0	42.5	16.9	18.5
5. Checking account	2.5	1.7	2.0	1.8	2.0	2.3	1.8	1.8	1.9	1.9
6. Savings account	13.5	11.9	9.9	9.8	11.2	9.1	4.3	2.9	1.1	8.6
7. U.S. savings bonds	3.2	3.4	2.3	2.5	2.7	2.6	1.0	1.0	.5	2.2
8. Traded stock	5.9	6.8	10.6	13.9	16.1	16.6	24.5	24.8	56.3	17.7
9. Other marketable securities	1.7	.3	.2	.8	.6	1.6	2.3	9.4	6.2	2.1
10. Mortgages	1.7	3.1	.8	3.6	1.6	3.0	.5	2.2	.7	1.9
11. Business not managed by unit	3.5	11.2	2.3	2.3	2.5	4.3	3.3	2.8	2.0	3.6
12. Company savings plans	.0	.2	.1	.7	.8	1.4	.7	.7	.3	.6
13. Miscellaneous assets	.9	1.1	9.2	1.6	1.4	5.7	18.0	2.8	5.6	5.3
14. Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15. Home mortgages	4.5	9.7	21.5	22.5	18.8	12.5	3.6	.8	.2	12.1
16. Other secured debt	.3	2.0	1.1	3.0	3.3	3.0	3.8	2.3	4.7	2.5
17. Installment debt	1.7	3.8	4.3	4.5	2.7	1.2	.1	.0	.0	2.3
18. Policy loans	.1	.0	.2	.5	.3	.2	.7	.3	.2	.3
19. Other debt	1.0	1.0	1.8	1.0	1.1	.9	1.6	.6	.3	1.1
20. Total debt	7.6	16.5	28.9	31.5	26.2	17.9	9.8	4.0	5.3	18.3
21. Net worth	92.4	83.5	71.1	68.5	73.8	82.1	90.2	96.0	94.7	81.7

Source of basic data: Projector and Weiss 1966, pp. 110, 118, 130.

other hand, is highest at around 4 percent of assets for incomes between \$3,000 and \$10,000, and becomes insignificant from \$25,000 of income on.

#### 6.4.6.4. *Households of different age*

For several analytic purposes, particularly in connection with the study of life cycle saving, there is interest in balance sheets of households classified by the age of their head. Such balance sheets exist for households with wealth in excess of \$60,000 for five years in the postwar period (1953, 1958, 1962, 1969, and 1972) (Internal Revenue Service, *Personal Wealth*, various issues). Comparable information for all households, however, is available only for 1962, and is based on a sample rather than on estate tax statistics.<sup>5</sup> It is summarized in table 59, which shows substantial differences in the structure of assets among age groups.

The outstanding difference is the sharp increase with age of the share of traded corporate stock and other marketable securities. The share of savings deposits and of real estate other than homes also increases with age, but less sharply. On the other hand, the shares of home and automobiles and almost certainly of other consumer durables and semidurables are negatively associated with age. The share of unincorporated business is higher in the 35–64 year brackets than for the older or younger age groups. Total debts and their two main components, mortgages and installment debt, decline sharply with age, with the result that the ratio of net worth to assets increases from not much over one-third in the less than 35-year group to 96 percent for those 65 years and over.

The differences visible in table 59 cannot be attributed entirely to the difference in age, but are also influenced by other factors, such as the wealth and income of the households included in the different age groups. A study of these relationships requires cross-tabulations of the data, of which only that by age and wealth, is available (Bossons 1973, pp. 413–24).

#### 6.4.6.5. *Male and female wealthholders*

Another interesting breakdown of household wealth is that between men and women which can be derived from the estate tax statistics for persons with wealth in excess of \$60,000, and must be used in the absence of comparable figures for the entire population. The figures shown in table 60 for 1953, 1962, and 1972 indicate that life insurance, real estate, noncorporate business assets and debts, mostly items connected with business activities, account for a considerably higher proportion of men's wealth than they do of women's, while safe assets like cash and bonds

5. Less detailed estimates have been made for 1969 (Wolff 1979a and 1979b) and for 1970 (Lebergott 1976).

**Table 59**                    **Structure of Household Balance Sheet by Age of Head, 1962**  
(percent of total assets)

	Under 35 (1)	35 to 54 (2)	55 to 64 (3)	65 and over (4)	All age groups (5)
1. Own home	26.3	31.8	25.0	22.4	27.0
2. Other real estate	2.4	7.6	8.0	8.0	7.5
3. Automobile	7.2	4.3	2.4	1.2	3.1
4. Business or profession	12.2	23.4	19.7	12.1	18.5
5. Checking account	1.9	1.8	1.9	2.3	1.9
6. Savings account	5.9	7.5	8.4	11.1	8.6
7. U.S. savings bonds	1.3	1.5	2.7	2.7	2.2
8. Traded stock	7.3	10.1	21.1	27.3	17.7
9. Other marketable securities	.4	.7	2.2	4.2	2.1
10. Mortgages	.8	1.5	2.5	2.3	1.9
11. Business not managed by unit	1.6	3.3	3.1	5.1	3.6
12. Company savings plans	.4	.9	.6	.1	.6
13. Miscellaneous assets	32.2	5.7	2.4	1.3	5.3
14. Total assets	100.0	100.0	100.0	100.0	100.0
15. Home mortgages	47.4	18.8	4.6	1.9	12.1
16. Other secured debt	2.7	3.4	2.1	1.7	2.5
17. Installment debt	11.4	3.2	.7	.4	2.3
18. Policy loans	.2	.5	.2	.1	.3
19. Other debt	3.9	1.6	.7	.2	1.1
20. Total debt	65.7	27.5	8.4	4.3	18.3
21. Net worth	34.3	72.5	91.6	95.7	81.7

*Source of basic data:* Projector and Weiss 1966, pp. 110, 118, 130.

Table 60

**Structure of Assets and Liabilities of Male and Female Top Wealthholders,<sup>a</sup> 1953, 1962, and 1972**  
(percent)

	Male			Female		
	1953 (1)	1962 (2)	1972 (3)	1953 (4)	1962 (5)	1972 (6)
1. Cash	9.2	8.8	11.7	9.2	10.2	14.5
2. Bonds	7.5	5.4	4.9	13.8	7.8	6.9
a. Corporate and foreign bonds	0.9	...	1.2	1.0	...	1.3
b. Federal savings bonds	} 5.0	...	1.0	} 6.4	...	1.1
c. Other federal bonds		...	1.1		...	2.6
d. State and local government bonds	1.6	...	1.6	6.4	...	1.8
3. Notes and mortgages	3.7	4.5	4.2	2.9	3.4	3.8
4. Life insurance equity	4.6	3.2	3.1	0.5	0.5	0.5
5. Corporate stock	35.8	40.0	27.6	44.8	48.0	31.4
6. Real estate	24.8	26.9	32.5	18.7	22.3	26.7
7. Noncorporate business assets	} 14.5	} 11.1	6.2	} 10.0	} 7.8	1.9
8. Other assets			9.8			14.3
9. Total assets	100.0	100.0	100.0	100.0	100.0	100.0
10. Debts	11.2	14.0	18.1	5.0	6.7	8.6
11. Net worth	88.8	86.0	81.9	95.0	93.3	91.4

<sup>a</sup>Net worth over \$60,000.

*Sources:*

Cols. 1, 4. Derived from Lampman 1962, pp. 50-51.

Cols. 2, 3, 5, 6. Internal Revenue Service, *Personal Wealth*, 1962, pp. 20-21; 1972, pp. 13-14.

bulk relatively larger in women's estates. Interestingly enough, the share in total assets of women is slightly higher for corporate stock as well as for unclassified assets. The significance of this difference depends on the character of the stocks in the portfolios of men and women, in particular on the shares of publicly traded and closely held corporate stock. Total wealth of the estate tax population has been becoming more equally divided, the share of women rising from 42 percent in 1953 to 44 percent in 1962 and to 47 percent in 1972.

#### 6.4.6.6. *The influence of children*<sup>6</sup>

On the basis of a sample of over 63,000 households estimates have been developed for the portfolio structure in 1969 of households with different characteristics, distinguishing seven types of assets but excluding household's equity in insurance and pension reserves and a few less important assets such as mortgages and equity in personal trust funds, as well as total debt. Since the portfolio structure of households of different size of wealth and income, different age, and different sex have already been discussed in subsections 6.4.6.1–5 on the basis of more detailed or more comprehensive data, mostly for 1962, discussion in this and the following three subsections will be limited to households which differ with respect to household composition, schooling, race, and region of residence. Interpretation of the differences in portfolio structure shown in these statistics is limited by the fact that the figures, as those in the first five subsections, present distributions by one characteristic only. Statements about the influence of one characteristic on portfolio structure, however, require cross-tabulations by several characteristics and multivariate analysis. The figures, as published, also do not provide an indication of how statistically significant the observed differences are.

Keeping these limitations in mind, the first tier of table 61 suggests that in married households, which constitute the bulk of the population, the shares of the owned home and, though much less so, of consumer durables, as well as that of all tangible assets, increase sharply in households with one or two children. In the case of all tangible assets the share rises from fully one-third for households without children at home to 55 percent for households with two or more children, compared to a share of less than one-fourth for single households with or without children. Correspondingly, the share of all financial assets as well as that of most types of them decreases with the number of children and is highest for single households. The differences are least pronounced, and probably not significant, for the share of business equity, which ranges only from 15 to 20 percent for the six types of households being distinguished. They are larger for corporate stock, whose share declines from about one-fourth of

6. The source of the basic data used in 6.4.6.6 to 6.4.6.9 is Wolff 1979a and 1979b.



total assets and over one-third of financial assets for single and childless married households to one-eighth and fully one-fourth respectively for households with children. This relation may be due, at least in part, to the higher wealth of families with few children and the sharp increase in the share of stocks with increasing wealth. The ratio of debts to assets increases irregularly with the number of children, reflecting the parallel association of home ownership and possession of consumer durables.

#### 6.4.6.7. *The influence of schooling*

The second tier of table 61 shows a similar positive association between schooling and the share of home value in total assets. Here too the share of all tangible assets increases with schooling from fully one-fourth for households with a head having had less than eight years of schooling to nearly one-half for those with sixteen or more years. In comparison the association between length of schooling and the various types of assets and the debt/asset ratio is less pronounced, though it appears to be slightly negative for most types of financial assets and slightly positive for the debt/asset ratio. This is astonishing in the case of corporate stock, whose share in total assets declines from 26 to 19 percent, though its share in financial assets remains close to 35 percent in all five groups, given the well-known positive associations between schooling and total wealth and between stock ownership and total wealth.

#### 6.4.6.8. *The influence of race*

White and nonwhite households are shown to differ primarily in white households' higher share of homes and, very astonishingly, the substantially lower share of corporate stock in the assets of white households of one-fifth compared to one-third. The differences in the share of other assets and in the debt/asset ratio are small and may well not be statistically significant.

#### 6.4.6.9. *Regional differences*

To judge by the fourth tier of table 61 the differences between the four broad regions being distinguished are small, and many of them may not be statistically significant. This is probably not true of the low ratios of homes and debt for households in the north-central region.

### 6.5. Nonprofit Organizations

Nonprofit organizations, the smallest domestic sector, grew relatively rapidly, the ratio of their assets to national product rising from 11.5 to 15 percent; that to national wealth advancing from 3.1 to 3.7 percent, and

**Table 61**                      **Portfolio Structure of Households of Different Composition, Schooling, Race, and Region, 1969**  
(percent of total assets)

	Home (1)	Other real estate (2)	Dur- ables (3)	Currency and deposits (4)	Bonds etc. (5)	Stocks (6)	Business equity (7)	Debt (8)
<i>I. By household composition</i>								
Single:								
1. No children	11.0	5.8	7.6	22.2	8.5	29.9	15.1	5.5
2. With children	11.9	4.3	7.2	26.3	10.6	22.3	17.5	7.2
Married:								
3. No children	18.5	6.8	9.5	14.7	6.4	24.0	20.2	17.6
4. One child	28.9	7.0	15.0	13.6	4.5	15.7	15.3	16.7
5. Two children	35.0	4.8	14.9	13.0	4.1	11.2	17.1	22.1
6. Three or more children	34.6	4.4	13.8	11.6	3.5	12.8	19.4	21.5
<i>II. By schooling of household head (years)</i>								
1. Zero to eight	12.4	6.6	7.9	17.6	6.5	26.2	22.9	14.8
2. Nine to eleven	18.3	6.0	10.7	17.2	6.6	22.2	19.1	12.4
3. Twelve	24.5	5.9	12.6	16.9	6.5	19.3	14.6	14.8
4. Thirteen to fifteen	28.5	5.0	12.8	15.8	6.1	18.0	14.8	16.4
5. Sixteen or more	29.5	5.5	10.8	13.6	5.5	19.2	15.9	18.0

III. *By race*

1. White	22.4	5.9	10.8	16.2	6.4	20.3	18.1	15.4
2. Nonwhite	12.0	6.3	9.8	17.2	5.5	32.4	16.7	12.4

IV. *By region*

1. Northeast	23.1	4.6	10.9	16.0	5.9	21.8	17.8	16.0
2. North-central	19.4	6.0	10.5	16.4	6.7	23.2	17.8	13.3
3. South	20.3	6.2	10.5	16.3	6.4	22.7	17.8	15.0
4. West	22.9	6.4	10.9	16.8	6.3	18.6	18.2	15.9

V. *All households*

1. Sample	21.4	5.9	10.7	16.3	6.3	21.4	17.9	15.1
2. Aggregate <sup>a</sup>		27.5	10.8	16.5	4.8	21.6	18.8	15.3

<sup>a</sup>Worksheet corresponding to table 49. (Lines II 3 and 4 do not add to 1,000 in source.)

Source: Wolff 1979a, pp. 199–201.

that to national assets increasing from 1.5 to 1.8 percent. Practically all of these increases occurred, as table 62 shows, during the 1954-64 period.

During this period nearly two-fifths of the total assets of nonprofit institutions consisted of financial assets, as indicated in table 63, but their share declined to not much over one-fifth by the end of the second half of the period. Corporate stock constituted by far the largest component of financial assets, accounting for about three-fifths of them, but declining from 22 to 13 percent of total assets. Corporate and foreign bonds increased from 14 to 22 percent of financial assets, but remained at about 5 percent of total assets. U.S. government securities held in relatively large amounts at the end of the war, declined from nearly 25 to less than 5 percent of financial assets and from 9 to 1 percent of total assets. Most of the tangible assets had the form of nonresidential structures (52 percent in 1953, 59 percent in 1975); land represented nearly one-third; residential structures declined from 17 to 6 percent; and the share of equipment stayed in the neighborhood of 3 percent of tangible assets.

The debt ratio remained low, rising only from 12 to 14 percent over the period after having reached 16 percent at the midpoint. Mortgages represented about four-fifths of total liabilities.

## **6.6. Farm Enterprises**

### **6.6.1. The Sector as a Whole**

Agriculture expanded considerably more slowly than most other sectors with the result that its total assets declined, as is evident in table 64, between 1953 and 1975 from 40 to 34 percent of gross national product after a low of 29 percent in 1971; from 11 to 8 percent of national wealth; and from 5 to less than 4 percent of national assets. Most of these declines occurred in the first part of the period and continued through the early 1970s, but were offset in part by a substantial recovery in 1973-75, which reflected sharp increases in land prices.

The structure of the balance sheet of the farm enterprise sector shown in table 65, excluding as far as possible household assets and liabilities of the farm population which are included in the household sector, is a simple one: On the asset side tangible assets, and among them land, predominate completely and liabilities are relatively small.

During the period of the share of land in total assets increased under the influence of rising land prices from 47 to 65 percent, most of the rise occurring in the first half of the period. The shares of all other tangible assets declined fairly sharply, again mostly in the first half of the period, but less for equipment than for structures and livestock. The share of financial assets, which can be estimated only with a wide margin of error,

**Table 62**                      **Assets of Nonprofit Organizations, 1953-75**

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Ratio to		
	Current	1972	Current	1972	Current	1972	Gross national product (7)	National	
	(1)	(2)	prices (3)	(4)	(5)	(6)		wealth (8)	assets (9)
1953	42	72	100.0	100.0	...	...	0.115	0.031	0.015
1954	46	80	109.5	111.1	+9.5	+11.1	0.122	0.033	0.015
1955	53	89	126.2	123.6	+15.2	+11.3	0.130	0.035	0.016
1956	58	92	138.1	127.8	+9.4	+3.4	0.134	0.035	0.016
1957	60	94	142.9	130.6	+3.4	+2.2	0.137	0.034	0.016
1958	64	101	152.4	140.3	+6.7	+7.4	0.137	0.034	0.016
1959	70	109	166.7	151.4	+9.4	+7.9	0.140	0.036	0.016
1960	73	113	173.8	156.9	+4.3	+3.7	0.144	0.036	0.016
1961	80	123	190.5	170.8	+9.6	+8.8	0.146	0.038	0.017
1962	81	124	192.9	172.2	+1.3	+0.8	0.141	0.036	0.016
1963	90	135	214.3	187.5	+11.1	+8.9	0.146	0.039	0.017
1964	98	145	233.3	201.4	+8.9	+7.4	0.150	0.040	0.017
1965	107	153	254.8	212.5	+9.2	+5.5	0.148	0.041	0.017
1966	112	154	266.7	213.9	+4.7	+0.7	0.145	0.040	0.017
1967	122	161	290.5	223.6	+8.9	+4.5	0.147	0.040	0.017
1968	133	164	316.7	227.8	+9.0	+1.9	0.147	0.040	0.017
1969	146	167	347.6	231.9	+9.8	+1.8	0.152	0.040	0.018
1970	160	172	381.0	238.9	+9.6	+3.0	0.157	0.041	0.018
1971	176	180	419.0	250.0	+10.0	+4.7	0.159	0.042	0.018
1972	194	187	461.9	259.7	+10.2	+3.9	0.157	0.042	0.018
1973	210	181	500.0	251.4	+8.2	-3.2	0.154	0.039	0.018
1974	224	171	533.3	237.5	+6.7	-5.5	0.155	0.037	0.018
1975	243	176	578.6	244.4	+8.5	+2.9	0.151	0.037	0.018

Table 63

**Structure of Balance Sheet of Nonprofit Organizations, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to gross national product		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1975 (6)
1. Land	17.54	21.44	25.51	2.01	3.22	3.84
2. Structures	42.62	38.44	50.37	4.90	5.77	7.58
3. Equipment	1.71	2.01	1.97	0.20	0.30	0.30
4. Tangible assets	61.87	61.89	77.85	7.11	9.29	11.72
5. Demand deposits and currency	0.51	0.78	0.08	0.06	0.12	0.01
6. U.S. government securities	9.19	3.67	0.99	1.06	0.55	0.15
7. State and local government securities	0.03	0.05	0.16	0.00	0.01	0.02
8. Corporate and foreign bonds	5.20	6.33	4.90	0.60	0.95	0.74
9. Corporate stock	21.80	24.29	12.94	2.50	3.64	1.95
10. Mortgages	0.35	0.61	0.58	0.04	0.09	0.09
11. Other financial assets	1.05	2.38	2.50	0.12	0.36	0.38
12. Financial assets	38.13	38.11	22.15	4.38	5.72	3.33
13. Total assets, percent	100.00	100.00	100.00	11.49	15.01	15.05
14. Total assets, \$ bill.	41.6	144.6	242.7	...	...	...
15. Mortgages	9.41	13.27	11.11	1.08	1.99	1.67
16. Trade debt	2.83	2.86	3.26	0.33	0.43	0.49
17. Liabilities	12.24	16.13	14.37	1.41	2.42	2.16
18. Net worth	87.76	83.87	85.63	10.08	12.59	12.89

Table 64

## Assets of Farm Enterprises, 1953-75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Gross national product (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National wealth (8)	assets (9)
	(1)	(2)	prices		(5)	(6)			
1953	144	239	100.0	100.0	...	...	.399	0.108	0.050
1954	148	243	102.8	101.7	+2.8	+1.7	.387	0.106	0.048
1955	152	246	105.6	102.9	+2.7	+1.2	.369	0.100	0.045
1956	159	250	110.4	104.6	+4.6	+1.6	.366	0.095	0.044
1957	167	255	116.0	106.7	+5.0	+2.0	.380	0.094	0.045
1958	182	267	126.4	111.7	+9.0	+4.7	.386	0.097	0.045
1959	183	272	127.1	113.8	+0.5	+1.9	.367	0.093	0.042
1960	186	275	129.2	115.1	+1.6	+1.1	.367	0.091	0.042
1961	193	284	134.0	118.8	+3.8	+3.3	.353	0.091	0.040
1962	201	293	139.6	122.6	+4.1	+3.2	.349	0.090	0.041
1963	209	304	145.1	127.2	+4.0	+3.8	.338	0.090	0.039
1964	216	313	150.0	131.0	+3.3	+3.0	.329	0.088	0.038
1965	231	327	160.4	136.8	+6.9	+4.5	.320	0.088	0.038
1966	245	335	170.1	140.2	+6.1	+2.4	.316	0.087	0.038
1967	258	341	179.2	142.7	+5.3	+1.8	.311	0.085	0.037
1968	274	337	190.3	141.0	+6.2	-1.2	.303	0.082	0.035
1969	289	330	200.7	138.1	+5.5	-2.1	.302	0.079	0.035
1970	302	329	209.7	137.7	+4.5	-0.3	.298	0.077	0.035
1971	325	339	225.7	141.8	+7.6	+3.0	.293	0.077	0.034
1972	365	351	253.5	146.9	+12.3	+3.5	.295	0.079	0.034
1973	446	377	309.7	157.7	+22.2	+7.4	.328	0.084	0.039
1974	482	384	334.7	160.7	+8.1	+1.9	.333	0.079	0.039
1975	539	403	374.3	168.6	+11.8	+4.9	.335	0.081	0.039

Table 65

**Structure of Balance Sheet of Farm Enterprises, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to gross national product		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1974 (6)
1. Land	47.41	59.46	64.87	18.89	19.59	21.70
2. Structures	21.62	16.78	13.61	8.62	5.53	4.55
3. Equipment	10.75	8.99	9.28	4.28	2.96	3.10
4. Inventories	14.48	10.97	9.42	5.77	3.6	3.15
a. of which livestock <sup>a</sup>	8.10	6.67	5.47	3.23	2.20	1.83
5. Tangible assets	94.26	96.20	97.18	37.56	31.69	32.51
6. Demand deposits and currency	4.85	2.73	1.37	1.93	0.90	0.46
7. Other financial assets	0.89	1.07	1.45	0.36	0.35	0.49
8. Financial assets	5.74	3.80	2.82	2.29	1.25	0.94
9. Total assets percent	100.00	100.00	100.00	39.85	32.94	33.45
10. Total assets, \$ bill.	144	216	539	...	...	...
11. Mortgages	5.36	8.77	9.56	2.14	2.89	3.20
12. Bank loans n.e.c.	1.88	3.22	3.74	0.75	1.06	1.25
13. Other loans	0.73	1.44	2.37	0.29	0.47	0.79
14. Trade debt	1.42	2.23	0.93	0.57	0.73	0.31
15. Liabilities	9.39	15.66	16.59	3.74	5.16	5.55
16. Equity	90.61	84.34	83.41	36.11	27.78	27.90

<sup>a</sup>For absolute figures cf. *Historical Statistics*, p. 480; and *Statistical Abstract*, 1978, p. 698.



fell from 5.7 to 2.8 percent of total assets, mainly in the first part of the period.<sup>7</sup>

Farm debt, which had been very low at the end of the war, increased rapidly, advancing from 9 percent of assets in 1953 to 17 percent at the end of the period, mostly during its first half. All forms of debt except trade debt participated in this movement, mortgages constituting nearly three-fifths of total liabilities.

Total assets and liabilities of farm enterprises increased considerably more slowly than national product in contrast to most other sectors, at least during the first part of the period. The decline in the ratio of total assets to national product by one-sixth was shared by all assets except land and miscellaneous financial assets. All types of liabilities except trade debt, on the other hand, increased more rapidly than national product.

#### 6.6.2. Differences among Size Classes of Farms

The only regularly available breakdown of the balance sheet of the farm sector is based on farms' volume of sales, which is closely though not rigidly connected with farms' total assets. This breakdown, which is presented in table 66 for 1975, distinguishes seven sales classes. It shows that the differences in balance sheet structure among the size classes are moderate.

Real estate is by far the most important asset for all size classes, accounting on the average for over 70 percent of total assets and ranging only between 70 and 74 percent. If farm residences were shown separately, their share would almost certainly decrease, and probably substantially so, with size of farm. The share of livestock rises with increasing farm size from not much over 2 percent of total assets for farms with sales of less than \$2,500 to 6.5 percent for farms with sales of \$100,000 and over. Machinery and motor vehicles account for about one-eighth of total assets in all size classes below \$100,000, but only for 8.5 percent for the largest farms. Household equipment and furnishings are relatively more important for small than for large farms, their share in total assets decreasing from 8.5 to less than 2 percent.

7. Somewhat different results are obtained, particularly in the 1970s, if the estimates of the Department of Agriculture for financial assets are used; these allocate to farm business time deposits, U.S. savings bonds, and investment in cooperatives, items which in the Federal Reserve Board's flow-of-funds statistics are implicitly included in the assets of the household sector. As a result the share of financial assets in total assets of agriculture is substantially higher (10.3 percent in 1953, 8.0 percent in 1964, and 5.3 percent in 1975) than in table 65, but both series show the same downward trend. There are also differences, which become substantial in the 1970s, in the estimates of equipment between the higher figures of the Department of Agriculture and those of the Bureau of Economic Analysis of the Department of Commerce, which have been used here as for all other sectors. This difference in 1975 reaches \$15 billion, or nearly 3 percent of the total assets of agriculture, but nearly 9 percent of reproducible tangible assets and 30 percent of equipment.

**Table 66**                    **Balance Sheet Structure of Farms of Different Size, 1975**  
(percent of total assets)

	All classes (1)	100 and over (2)	40 to 100 (3)	20 to 40 (4)	10 to 20 (5)	5 to 10 (6)	2.5 to 5 (7)	Less than 2.5 (8)
1. Real estate	72.4	72.9	72.6	71.6	72.4	73.0	73.9	70.4
2. Livestock and poultry	5.0	6.5	4.9	4.8	4.5	4.2	3.7	2.3
3. Machinery and motor vehicles	11.0	8.5	12.0	13.0	13.0	12.4	11.9	10.3
4. Crops stored	3.6	3.4	4.7	4.8	4.2	3.0	1.9	0.6
5. Household equipment and furnishings	2.7	1.7	1.8	2.0	2.3	3.2	4.0	8.5
6. Physical assets	94.7	93.0	96.0	96.2	96.4	95.8	95.4	92.1
7. Deposits and currency	2.6	3.2	1.8	1.7	1.8	2.3	2.7	5.0
8. U.S. savings bonds	0.7	0.5	0.4	0.5	0.6	0.9	1.2	2.4
9. Investments in cooperatives	2.0	3.4	1.8	1.6	1.2	1.0	0.8	0.6
10. Financial assets	5.3	7.1	4.0	3.8	3.6	4.2	4.7	8.0
11. Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
12. Real estate debt	8.6	12.0	9.6	6.5	6.7	4.3	3.7	5.5
13. Other debt	6.7	11.7	5.5	5.1	6.0	3.4	2.9	1.2
14. Liabilities	15.3	23.7	15.1	11.6	12.7	7.7	6.6	6.7
15. Proprietors' equity	84.7	76.3	84.9	88.4	87.3	92.3	93.4	93.3
16. Total assets (\$ bill.)	592.8 <sup>a</sup>	186.6	138.8	86.3	53.4	35.3	27.9	64.6
17. Average assets per farm (\$ 000)	213	1,204	452	270	177	118	89	60
18. Number of farms (000)	2,778	155	307	320	302	298	313	1,084
19. Ratio of assets to sales <sup>b</sup>	13.5	6.0	7.1	9.5	12.5	16.7	25.1	48.0

<sup>a</sup>This compares with \$539 billion in table 64.

<sup>b</sup>Average sales assumed equal to geometric mean of lower- and upper-class boundary, except col. 2 (twice lower boundary) and col. 8 (one-half upper boundary).

Source: U.S. Dept. of Agriculture, *Balance Sheet of the Farming Sector*, 1977, p. 47.

Since the estimates are limited to three types of financial assets, it is not possible to be positive about the relation of all financial assets to farm size. Among the three types, the share of deposits and currency lies between 2 and 3 percent of total assets for most size classes except for the smallest class, where it reaches 5 percent. Similarly the share of U.S. savings bonds is largest in the smallest size class with 2.4 percent, whereas it ranges from 0.4 to 0.6 percent for the top four size classes. The share of investments in cooperatives, on the other hand, increases sharply with farm size from 0.6 percent to 3.4 percent of total assets.

Contrary to the similarity in the structure of assets, farms of different size differ considerably in the extent to which they use debt and in the types of debt they use. Thus the debt/asset ratio which averages 15 percent for all farms, increases from less than 7 percent for farms with sales of less than \$5,000 to 24 percent for farms with sales of \$100,000 and over. The differences are even larger for non-real estate debt, the ratio of which rises from 1.2 percent to nearly 12 percent of total assets, probably reflecting the easier access of larger farms to bank credit. The ratio of real estate debt, on the other hand, increases only irregularly from 6 to 12 percent.

These differences in the structure of the combined balance sheets have not changed greatly since 1959 when the estimates first became available (see U.S. Dept. of Agriculture 1975), though differences among size classes have become more pronounced over the sixteen-year span.

### 6.6.3. Regional Differences

Agriculture is the only sector for which regional balance sheets have been drawn up for at least one date within the period, the end of 1969. The structure of the balance sheets for the ten regions being distinguished are shown in table 67. The differences, of course, reflect not only regional influences on balance sheet structure but also other factors such as differences in the size distribution of farms, average assets per farm ranging from \$55,000 in the Appalachian region to \$242,000 in the Pacific states.

The differences among regions while not radical are substantial. Thus the share of real estate ranges from 58 percent of total assets in the Lake states to 78 percent in the Pacific states. Livestock accounts for as much as 11 percent of total assets in the Mountain states, but only for 5 percent in the Pacific and Delta states. The range is even larger for machinery: from 6 percent in the Pacific states to 17 percent in the Lake states. The relatively greatest differences, from 1 to 6 percent, are shown for crops stored. The share of household equipment, varying from 2.4 to 5.4 percent of total assets, seems to be inversely related to average assets per farm. As the balance sheets show estimates for only three types of financial assets, one must be careful in interpreting differences. For the

**Table 67**                      **Structure of Balance Sheet of Farm Enterprises by Region, 1969**  
(percent of total assets)

	U.S.A. (1)	North- east (2)	Lake states (3)	Corn belt (4)	Northern plains (5)	Appa- lachia (6)	South- east (7)	Delta states (8)	Southern plains (9)	Moun- tain (10)	Pacific (11)
1. Real estate	67.1	61.4	57.6	66.7	59.7	61.1	72.4	71.7	73.9	67.8	78.0
2. Livestock and poultry	7.5	8.0	9.0	6.9	10.1	6.2	5.9	5.4	7.9	11.0	4.8
3. Machinery and motor vehicles	11.0	13.5	17.4	11.2	13.5	12.8	9.7	8.7	8.0	9.9	6.1
4. Crops stored	3.5	4.0	5.6	5.0	6.2	2.7	1.1	1.2	0.9	3.4	1.0
5. Household equipment and furnishings	3.2	3.9	3.8	3.0	2.5	5.4	4.6	4.0	2.6	2.5	2.4
6. Physical assets	92.3	90.8	93.4	92.8	92.1	88.2	93.7	91.0	93.3	94.6	92.3
7. Deposits and currency	3.8	4.4	3.9	3.7	2.8	6.8	3.8	5.0	3.0	3.6	3.0
8. U.S. savings bonds	1.2	1.5	0.9	1.1	1.6	1.6	0.8	1.3	1.2	0.6	1.4
9. Investment in cooperatives	2.6	3.3	1.9	2.4	3.5	3.5	1.7	2.8	2.6	1.3	3.2
10. Financial assets	7.6	9.2	6.7	7.2	7.9	11.9	6.3	9.1	6.8	5.5	7.6
11. Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
12. Real estate debt	9.1	10.1	10.4	7.8	6.6	7.9	10.6	9.6	7.4	10.8	13.5
13. Other debt	9.5	8.0	11.1	9.1	13.8	7.2	7.4	7.4	8.7	12.7	8.0
14. Liabilities	18.6	18.1	21.5	16.9	20.4	15.1	18.0	17.0	16.1	23.5	21.5
15. Proprietors' equity	81.4	81.9	78.5	83.1	79.6	84.9	82.0	83.0	83.9	76.5	78.5
16. Total assets (\$ bill)	311.2 <sup>a</sup>	18.0	26.7	72.7	37.3	25.1	19.0	17.7	36.1	24.5	34.1
17. Number of farms, (000)	2,725	173	288	613	250	453	215	175	297	120	141
18. Assets per farm (\$000)	114	104	93	119	149	55	88	101	122	204	242

<sup>a</sup>This compares with \$289 billion in table 64.

Source of basic data: U.S. Dept of Agriculture, *Balance Sheet of the Farming Sector*, 1970, p. 24; *Statistical Abstract*, 1976, p. 637.

aggregate of the three types the share in total assets ranges from 6 to 12 percent, the poorest region—Appalachia—showing the highest share, owing mostly to relatively large holdings of currency and deposits. Regional differences in the ratios of debt to assets are moderate, ranging from 15 percent for Appalachia to 24 percent in the Mountain states, and seem to be related to average assets per farm in the region. This would be in line with the finding that the debt ratio increases with size of farm.

### **6.7. Nonfinancial Nonfarm Unincorporated Business Enterprises**

Nonfarm nonfinancial unincorporated businesses lost in importance, as table 68 indicates, measured by their share in national assets or their relation to gross national product, during the first half of the period, but maintained their position during the second half. The structure of their balance sheet, shown in table 69, changed considerably. The most important changes were the increase in the share of tangible assets, which always maintained a dominant position, mostly during the second half of the period; and the corresponding decline of the share of financial assets from 16 to 8 percent, particularly the shares of demand deposits and trade credit. Substantial changes also occurred within tangible assets, the share of structures and land increasing and that of equipment and particularly that of inventories declining. Liabilities increased from 15 to 21 percent of total assets, mostly during the first half of the period and primarily in the form of mortgages, while trade debt declined sharply. As a result the ratio of financial assets to liabilities declined precipitously from 1.06 in 1953 to 0.39 in 1975, suggesting a substantial impairment of liquidity. However, the ratio of debts to assets was still as low as one-fifth at the end of the period.

The balance sheet structure of partnerships reporting to the Internal Revenue Service (excluding agriculture and finance), which can be followed in table 70, differs considerably from that of the balance sheet of nonfarm nonfinancial unincorporated business derived from aggregate statistics shown in table 69, which also covers sole proprietorships. The main differences are the considerably lower share of tangible assets in the case of partnerships (77 against 92 percent); the consequently much higher share of financial assets (about 20 against 8 percent); and the very much higher share of liabilities (86 against 21 percent). To what extent these differences are due to the exclusion of sole proprietorships from the Internal Revenue Service statistics, which are dominated by real estate partnerships, to differences in valuation, to incomplete coverage of financial assets and liabilities in the flow-of-funds statistics, or to other factors it is impossible to say.<sup>8</sup>

8. The fact that total assets of unincorporated nonfarm nonfinancial enterprises in 1973 with \$559 billion as estimated here compare with total assets of nonfinancial partnerships

The balance sheet structure of unincorporated nonfarm nonfinancial businesses in the various industries differ, of course, substantially from that of the combined balance sheet of all firms of this type as is the case of nonfinancial corporations. This can be inferred from the balance sheets of partnerships tabulated for over sixty different branches by the Internal Revenue Service, which in the absence of tabulations of balance sheets of sole proprietorships constitute the only statistical data available. Such use is not without danger since, measured by business receipts, inventories, depreciation which is indicative of size of reproducible tangible assets, and payroll, sole proprietorships are twice as large as partnerships and differ from them in average size—their average business receipts in 1973 were only one-fourth as large as those of partnerships—and in distribution among industries. Notwithstanding these limitations the balance sheets of partnerships should be able to give an idea of differences in the balance sheet structure of unincorporated enterprises in different industries.

Table 70 shows the balance sheet structure of partnerships in seven major industries in 1973, the latest year available when the study was undertaken. Differences in balance sheet structure among the seven industries are very pronounced. Real estate firms, mainly operators, account for three-fourths of the assets of all reporting partnerships outside of agriculture and finance, a proportion much higher than in the case of proprietorships. Their balance sheet is dominated on the asset side by buildings and land with four-fifths, and on the liability side by medium and long-term debt with over three-fourths of total assets. Reported equity is very low at 7 percent of total assets, but would be considerably higher, and the debt/asset ratio would be lower if real estate were carried at market value. The remaining six industries still show considerable differences in balance sheet structure. Thus the share of depreciable assets ranges from 18 percent (construction) to 57 percent (transportation); that of land—undoubtedly substantially understated—from 4 percent (manufacturing) to 9 percent (services); and that of inventories from less than 2 percent (services) to 32 percent (trade). Total financial assets account for between 14 percent (transportation) and about 45 percent (construction). The ratio of equity to total assets fluctuates between 21 percent (construction) and 63 percent (mining), but would be substantially higher if tangible assets were carried at market values.

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reporting to the Internal Revenue Service of \$146 billion points to a much lower original cost valuation of tangible assets in the Internal Revenue Service statistics.

Table 68

## Assets of Nonfarm Nonfinancial Unincorporated Business Enterprises, 1953-75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Gross national product (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National wealth (8)	assets (9)
	(1)	(2)	(3)	(4)	(5)	(6)			
1953	179	285	100.0	100.0	...	...	.493	.134	.062
1954	183	290	102.2	101.8	+2.2	+1.8	.480	.131	.059
1955	194	298	108.4	104.6	+6.0	+2.8	.471	.127	.057
1956	207	304	115.6	106.7	+6.7	+2.0	.476	.124	.057
1957	216	316	120.7	110.9	+4.3	+3.9	.492	.122	.058
1958	226	325	126.3	114.0	+4.6	+2.8	.480	.121	.056
1959	231	332	129.1	116.5	+2.2	+2.2	.461	.113	.054
1960	236	336	131.8	117.9	+2.2	+1.2	.467	.116	.053
1961	242	345	135.2	121.1	+2.5	+2.7	.443	.114	.050
1962	252	355	140.8	124.6	+4.1	+2.9	.438	.113	.051
1963	262	368	146.4	129.1	+4.0	+3.7	.424	.112	.049
1964	274	381	153.1	133.7	+4.6	+3.5	.418	.111	.049
1965	288	395	160.9	138.6	+5.1	+3.7	.398	.109	.047
1966	306	410	170.9	143.9	+6.3	+3.8	.395	.108	.048
1967	326	418	182.1	146.7	+6.5	+2.0	.394	.107	.046
1968	357	425	199.4	149.1	+9.5	+1.7	.396	.107	.046
1969	395	439	220.7	154.0	+10.6	+3.3	.412	.108	.048
1970	422	448	235.8	157.2	+6.8	+2.1	.416	.109	.048
1971	449	459	250.8	161.1	+6.4	+2.5	.405	.107	.047
1972	491	473	274.3	166.0	+9.4	+3.1	.397	.107	.046
1973	559	485	312.3	170.2	+13.8	+2.5	.411	.105	.048
1974	627	487	350.3	170.9	+12.2	+0.4	.433	.103	.050
1975	671	486	374.9	170.5	+7.0	-0.2	.416	.101	.049

**Table 69**                    **Structure of Balance Sheet of Nonfarm Nonfinancial Unincorporated Business Enterprises, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to gross national product		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1975 (6)
1. Land	7.00	8.43	8.66	3.45	3.52	3.60
2. Structures	57.33	62.08	69.55	28.26	25.93	28.95
3. Equipment	11.51	10.43	9.85	5.68	4.36	4.10
4. Inventories	8.18	5.61	3.78	4.03	2.34	1.57
5. Tangible assets (lines 1-4)	84.02	86.55	91.84	41.43	36.15	38.23
6. Demand deposits and currency	5.81	4.57	1.87	2.86	1.91	0.78
7. Consumer credit	2.22	2.51	1.87	1.09	1.05	0.78
8. Trade credit	6.87	4.99	2.67	3.39	2.08	1.11
9. Other financial assets	1.08	1.39	1.75	0.53	0.58	0.73
10. Financial assets (lines 6-9)	15.98	13.45	8.16	7.88	5.62	3.40
11. Total assets, percent	100.00	100.00	100.00	49.30	41.77	41.62
Total assets, \$ bill.	179	274	671	...	...	...
12. Mortgages	5.07	8.99	12.09	2.50	3.76	5.03
13. Bank loans	0.97	2.07	1.65	0.48	0.86	0.69
14. Other loans	2.74	3.93	4.12	1.35	1.64	1.72
15. Open-market paper	0.11	0.14	0.57	0.05	0.06	0.24
16. Trade debt	6.23	4.31	2.31	3.07	1.80	0.96
17. Total liabilities	15.11	19.44	20.74	7.45	8.12	8.63
18. Equity	84.89	80.56	79.26	41.86	33.65	32.99



**Table 70****Structure of Balance Sheet of Nonfinancial Nonagricultural Partnerships, 1973**  
(percent of total assets)

	All indus- tries <sup>a</sup> (1)	Mining (2)	Construc- tion (3)	Manu- factur- ing (4)	Trans- porta- tion (5)	Trade (6)	Real estate (7)	Services (8)
1. Cash	4.23	9.59	9.39	8.33	4.61	13.35	2.18	11.15
2. Notes and accounts receivable	5.78	10.74	18.65	21.18	6.65	18.78	3.18	9.21
3. Inventories	4.88	2.45	17.87	15.59	2.51	32.43	2.21	1.78
4. U.S. government securities	0.16	0.31	0.47	0.15	...	0.51	0.07	0.24
5. State and local government securities	0.13	...	1.11	0.21	...	0.23	0.06	0.24
6. Other current assets	2.03	3.40	9.65	2.95	1.23	1.61	1.69	2.29
7. Real estate loans	1.67	0.37	1.67	0.27	...	0.47	1.98	0.73
8. Other investments	2.76	7.85	3.89	5.74	1.98	2.88	2.45	3.13
9. Depreciable assets	55.00	28.89	17.52	34.04	56.69	20.57	60.66	54.76
10. Depletable assets	0.51	16.49	0.12	0.65	0.30	0.31	0.16	0.18
11. Land	16.56	3.68	8.26	2.68	2.98	4.84	19.73	9.02
12. Intangible assets	0.45	0.61	0.07	0.27	0.35	0.38	0.38	1.25
13. Other assets	5.76	15.62	11.30	8.00	22.70	3.66	5.25	6.00
14. Total assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15. Accounts payable	4.30	7.48	15.00	11.37	7.23	17.49	2.31	5.40
16. Payables less than one year	10.29	7.92	19.92	6.66	6.24	11.53	10.01	10.72
17. Other current liabilities	2.39	2.14	7.70	5.00	1.81	3.24	1.90	3.71
18. Payables one year or more	65.20	17.03	24.30	15.11	41.66	15.71	75.89	50.51
19. Other liabilities	3.51	2.75	11.77	3.33	2.10	2.76	3.21	4.38
20. Partners' capital accounts	14.25	62.68	21.31	58.55	40.96	49.28	6.70	25.28
21. Total assets, percent <sup>b</sup>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
22. Total assets, \$ bill.	146.48	2.94	4.25	3.36	1.71	9.40	111.56	13.69

<sup>a</sup>Includes partnerships with nature of business not allocable (assets 0.04 percent of total).

<sup>b</sup>Components occasionally do not add to 100.00 because some items are not shown in the basic totals.

Source: Internal Revenue Service, *Statistics of Income and Business Income Tax Returns, Sole Proprietorships and Partnerships*, 1973, pp. 200 ff.

## 6.8. Nonfinancial Corporations

### 6.8.1. The Sector as a Whole

Nonfinancial nonfarm corporations gained moderately in importance during the period, as shown in table 71, their share in national assets increasing from 14 to 16 percent, and the ratio of their assets to gross national product advancing from 111 to 133 percent. The structure of their assets, set forth in table 72, underwent only moderate changes. Among tangible assets the share of land increased substantially, reflecting sharp price rises, while that of inventories declined slightly and that of structures and equipment remained unchanged. Changes were more pronounced for some financial assets, though the share of all financial assets declined only moderately. Thus the share of bank deposits and open-market paper fell from 7 percent of total assets in 1953 and 1964 to 4.5 percent in 1975; and that of government securities, mainly direct Treasury obligations, declined from 5 percent in 1953, when corporations were still holding many of their government securities acquired during the war, to less than two percent in 1964, and to 1 percent in 1975. Among other financial assets the share of trade credit and direct foreign investment increased substantially during the first half of the period, though they lost part of the gain during the second half; and the share of consumer credit was almost cut in half during the second half of the period.

In evaluating the balance sheet shown in table 72 it should be remembered that in the flow-of-funds statistics, on which the table is based, intercorporate stockholdings are netted out. Such holdings have been estimated for all corporations: at \$45 billion in 1953, \$119 billion in 1964, and \$184 billion in 1968, the last year for which the estimates are available. (Eilbott 1973, p. 431). If the figures are reduced by one-fifth on the basis of the fact that nonfinancial corporations account for about four-fifths of all corporate stock outstanding inclusion of intercorporate stockholdings would increase total assets of nonfinancial corporations by about 9 percent in 1953, 13 percent in 1964, and probably by less than 10 percent in 1975, and the ratios for the other assets and liabilities would be correspondingly reduced.

The ratio of liabilities to assets increased moderately between 1953 and 1964, but showed no substantial movement thereafter. This was the result of substantial advances in the shares of mortgages, loans, open-market paper, and trade debt; no net change in the share of corporate bonds; and a decline in that of miscellaneous liabilities. The share of equity, represented by corporate stock, declined moderately from 63 to 58 percent of total assets, entirely during the first half of the period. Corporate liquidity declined whether measured by the share of liquid assets (cash, deposits,

and government securities) which receded from 12 percent in 1953 to less than 4 percent in 1975; or by the ratio of financial assets to liabilities which fell from 0.80 to 0.64; or by the debt/asset ratio which advanced from 37 to 42 percent.

### 6.8.2. Main Subsectors

It is not as yet possible to draw up balance sheets for subsectors of the nonfinancial corporate sector that fit in with those for the sector as a whole, mainly because the balance sheets compiled annually by the Internal Revenue Service on the basis of corporate tax returns and classified by industry and by the size of corporation reflect book values; these balance sheets therefore considerably understate the values of reproducible fixed assets, and still more those of land compared to the market values or the reproduction cost of these items. Attempts to remedy these shortcomings are under way as part of the Financial Flows and Economic Activity project of the Stanford Research Institute and Yale University, but the results were not available for this study. Meanwhile tables 73 and 74 show the structure of the balance sheets for 1974 of the main groups of nonfinancial corporations and of the main manufacturing subgroups respectively, as reported to the Internal Revenue Service.

Differences in balance sheet structure are very large even among the ten main groups of nonfinancial corporations and would have an even wider range if smaller subgroups and corporations of different size were considered. Compared to an average share of fixed assets, at book values, of 40 percent, group averages range from 13 percent for wholesale trade to 82 percent for electric and gas utilities. The share would be higher for all groups if the balance sheets carried tangible assets at replacement cost or in the case of land at market values. If it is assumed that the market value of fixed assets was in 1974 about 40 percent above its book value, based on the ratio of current value to historical cost of all nonfinancial corporations of 1.38 (Bureau of Economic Analysis, printout) and allowing for a probably considerably higher ratio for land, the share of fixed assets in total assets would be close to 50 percent, or one-eighth above the value indicated in table 73. The difference would be proportionately higher for industries with low, and proportionately lower for industries with high, shares of tangible assets. The share of financial assets would be correspondingly reduced, except for "other investments," a category whose content and method of valuation are not well known but which consists in part of corporate stock and direct foreign investments the book value of which is considerably below their market value. Thus the share would rise for wholesale trade corporations from 13 to 17½ percent, or by about one-third, but for electric and gas utilities only from 82

**Table 71**                      **Assets of Nonfinancial Corporations, 1953-75**

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Gross national product (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National wealth (8)	assets (9)
	(1)	(2)	prices (3)                      (4)		(5)	(6)			
1953	401	652	100.0	100.0	...	...	1.108	.300	.139
1954	415	667	103.5	102.3	+3.5	+2.3	1.088	.296	.134
1955	463	715	115.5	109.7	+11.6	+7.2	1.125	.303	.137
1956	504	741	125.7	113.7	+8.9	+3.6	1.160	.302	.139
1957	534	766	133.2	117.5	+6.0	+3.4	1.216	.301	.143
1958	556	790	138.7	121.2	+4.1	+3.1	1.180	.298	.137
1959	591	829	147.4	127.1	+6.3	+4.9	1.182	.301	.137
1960	609	851	151.9	130.5	+3.0	+2.7	1.203	.299	.136
1961	636	875	158.6	134.2	+4.4	+2.8	1.162	.299	.132
1962	668	926	166.6	142.0	+5.0	+5.8	1.159	.300	.135
1963	707	973	176.3	149.2	+5.8	+5.1	1.147	.303	.133
1964	752	1,022	187.5	156.7	+6.4	+5.0	1.146	.305	.133
1965	816	1,083	203.5	166.1	+8.5	+6.0	1.127	.310	.133
1966	889	1,144	221.7	175.5	+8.9	+5.6	1.148	.315	.139
1967	963	1,197	240.1	183.6	+8.3	+4.6	1.163	.317	.137
1968	1,057	1,268	263.6	194.5	+9.8	+5.9	1.169	.317	.136
1969	1,172	1,312	292.3	201.2	+10.9	+3.5	1.222	.320	.143
1970	1,264	1,345	315.2	206.3	+7.8	+2.5	1.245	.322	.145
1971	1,363	1,387	339.9	212.7	+7.8	+3.1	1.229	.324	.142
1972	1,489	1,445	371.3	221.6	+9.2	+4.2	1.204	.324	.140
1973	1,706	1,507	425.4	231.1	+14.6	+4.3	1.253	.320	.148
1974	1,996	1,542	497.8	236.5	+17.0	+2.3	1,378	.326	.160
1975	2,144	1,547	534.7	237.3	+7.4	+0.3	1.330	.323	.156

**Table 72**                      **Structure of Balance Sheet of Nonfinancial Corporations, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to gross national product		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1975 (6)
1. Land	6.50	11.00	11.71	7.20	12.61	15.57
2. Structures	24.34	21.72	24.25	26.95	24.90	32.25
3. Equipment	21.06	20.29	21.85	23.32	23.26	29.06
4. Inventories	18.42	15.50	15.77	20.40	17.76	20.97
5. Tangible assets	70.32	68.51	73.57	77.88	78.53	97.86
6. Demand deposits and currency	6.62	5.02	2.21	7.33	5.76	2.94
7. Time and savings deposits	0.22	0.89	1.04	0.25	1.02	1.39
8. U.S. government securities	4.80	1.26	0.67	5.31	1.45	0.89
9. U.S. agencies securities	0.00	0.13	0.15	0.00	0.15	0.20
10. State and local government securities	0.25	0.49	0.21	0.28	0.56	0.28
11. Consumer credit	1.58	1.59	0.85	1.75	1.82	1.13
12. Open-market paper	0.22	0.83	1.30	0.24	0.95	1.75
13. Trade credit	11.46	14.37	13.21	12.69	16.47	17.57
14. Direct foreign investment	4.06	5.91	5.49	4.50	6.77	7.30
15. Other financial assets	0.47	1.00	1.29	0.52	1.15	1.72
16. Financial assets	29.68	31.49	26.43	32.87	36.09	35.15
17. Total assets, percent	100.00	100.00	100.00	110.75	114.62	133.01
18. Total assets, \$ bill.	401	752	2,144	...	...	...
19. Corporate bonds	11.71	12.30	11.86	12.96	14.09	15.78
20. Mortgages	4.38	6.60	7.19	4.85	7.56	9.56
21. Bank loans n.e.c.	5.59	6.67	7.79	6.19	7.64	10.36
22. Other loans	0.73	1.11	1.58	0.80	1.27	2.10
23. Open-market paper	0.15	0.20	0.65	0.16	0.23	0.87
24. Trade debt	8.77	11.44	10.83	9.71	13.11	14.40
25. Other liabilities	5.86	3.51	1.70	6.49	4.02	2.26
26. Total liabilities	37.18	41.82	41.60	41.17	47.93	55.33
27. Equity (corporate stock)	62.82	58.18	58.40	69.57	66.69	77.68

**Table 73** Balance Sheet Structure of Nonfinancial Nonagricultural Corporations, 1974  
(percent)

	Total (1)	Mining (2)	Construc- tion (3)	Manufac- turing (4)
1. Cash	3.9	5.1	8.2	3.1
2. Accounts receivable	18.7	23.5	28.4	22.0
3. Inventories	16.1	6.4	16.6	19.6
4. Government securities	0.9	1.1	0.7	1.1
5. Other current assets	4.5	4.0	10.7	4.3
6. Other investments	11.4	15.1	7.5	14.9
7. Depreciable assets	36.1	29.1	17.7	26.5
8. Depletable assets	1.2	8.2	0.1	1.9
9. Land	2.8	2.0	4.3	1.6
10. Other assets	4.5	5.5	5.7	4.9
11. Total assets	100.0	100.0	100.0	100.0
12. Accounts payable	11.6	7.2	20.4	12.8
13. Other current liabilities	9.2	21.7	14.6	9.2
14. Mortgages, notes bonds; less than one year	9.7	4.9	15.3	8.4
15. Mortgages, notes, bonds; over one year	23.3	16.0	16.1	17.3
16. Other liabilities	5.6	4.7	10.2	5.8
17. Net worth	40.5	45.4	23.3	46.4
18. Total assets, \$ bill.	1,923	47	74	886

Source: Internal Revenue Service, *Statistics of Income: Corporation Tax Returns*, 1974.

to fully 86 percent or by one-twentieth. Net worth would increase by the same absolute amounts as tangible assets. Since for all nonfinancial corporations the book value of net worth happens to be identical with that of fixed assets, the share of net worth would also increase from approximately 40 to nearly 50 percent. The relative increase would be larger for industries with small shares of net worth and high shares of tangible assets than for those with the opposite characteristics. For example, in the case of real estate the share of net worth would rise from 21 to 37 percent, or by three-fourths, while it would advance only from 38 to 41 percent, or by one-twelfth, for wholesale trade. Since the relationship between book values and replacement cost or market value is not known for individual industries, an exact calculation of the changes in balance sheet structure caused by a shift from book to replacement or market values is not possible, and the figures used in this paragraph should be regarded as illustrative only. The share of the remaining tangible asset, inventories, shows particularly large differences, ranging from less than 2 percent for real estate corporations to 32 percent for trade corporations.

Transportation (5)	Communication (6)	Electricity, gas, etc. (7)	Trade		Real estate (10)	Services (11)
			Wholesale (8)	Retail (9)		
3.6	1.0	1.1	7.2	6.2	4.0	7.5
11.0	3.8	4.7	33.7	20.2	9.4	16.0
2.7	3.2	3.3	29.4	34.6	1.5	5.0
1.5	1.0	0.1	0.3	0.3	0.6	1.0
4.0	3.7	1.8	3.8	3.5	9.4	5.8
13.3	8.0	4.7	9.4	6.6	7.4	11.4
58.0	76.7	80.5	11.5	21.4	41.5	39.8
0.1	0.0	0.4	0.1	0.1	0.4	0.1
1.4	0.5	1.1	1.6	3.3	18.5	5.3
4.4	2.2	2.4	2.9	3.8	7.4	8.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0
6.8	1.8	3.2	23.6	17.8	3.9	9.1
9.8	5.5	4.2	9.5	11.3	7.4	12.3
6.7	5.1	6.1	16.4	14.2	13.3	13.2
30.2	37.8	43.0	9.8	16.5	48.2	30.4
9.9	6.1	5.1	2.4	3.5	5.9	5.3
36.5	43.8	38.3	38.3	36.7	21.3	29.7
101	116	198	160	154	102	85

Differences are similarly large for individual financial assets and liabilities, and most of them are easily explained by the character of the various groups. Thus wholesale and retail trade and construction show high ratios for accounts receivable and payable corresponding to high shares of inventories, while the share of long-term debt is highest and that of liquid assets lowest in public utilities in line with their very high ratios of structures and equipment.

The differences in balance sheet structure are much less radical, though often still substantial among the seven groups of manufacturing corporations shown in table 74. The share of tangible assets for example ranges from about 45 percent for the machinery, transportation equipment, and oil and coal industries to 55 percent in the chemical industry, while that of accounts receivables extends from 16 percent in primary metals to 34 percent in transportation equipment and that of liquid assets from 6 percent in the chemical and transportation equipment industries to 12 percent in the machinery industry. Differences in the share of net worth are relatively small, ranging from about 40 percent in the machinery and

**Table 74**                    **Balance Sheet Structure of Manufacturing Corporations, 1974**  
(percent)

	Total (1)	Food and kindred products (2)	Chemicals (3)	Oil, Coal (4)	Primary metals (5)	Machinery (6)	Transpor- tation equipment (7)	Other (8)
1. Cash	3.1	4.1	2.7	1.8	3.0	3.0	2.6	4.1
2. Accounts receivable	22.0	20.3	18.7	18.2	15.7	25.7	34.4	20.0
3. Inventories	19.6	22.7	19.7	6.8	15.8	24.9	23.4	23.1
4. Government securities	1.1	0.6	0.5	1.6	1.1	1.8	1.1	0.9
5. Other current assets	4.3	3.6	2.9	4.4	5.0	7.6	2.3	3.3
6. Other investments	14.9	14.6	16.1	24.9	11.3	12.3	11.8	12.1
7. Depreciable assets	26.5	27.6	33.6	27.4	33.6	19.9	19.6	28.6
8. Depletable assets	1.9	0.1	0.5	8.0	0.8	0.0	0.0	1.5
9. Land	1.6	1.9	1.3	2.8	1.1	0.8	1.1	1.8
10. Other assets	4.9	4.6	3.7	4.0	12.4	3.9	3.6	4.7
11. Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
12. Accounts payable	12.8	12.9	10.6	17.0	9.9	13.7	13.0	10.9
13. Other current liabilities	9.2	9.6	9.6	5.9	8.7	11.3	8.8	10.1
14. Mortgages, notes, bonds: less than one year	8.4	9.3	4.3	2.3	7.0	9.9	18.5	8.5
15. Mortgages, notes, bonds: over one year	17.3	18.2	19.6	12.6	19.5	17.6	18.4	18.2
16. Other liabilities	5.8	4.5	3.7	9.9	8.2	6.2	3.2	4.3
17. Net worth	46.4	45.6	52.2	52.3	46.8	41.3	38.1	48.0
18. Total assets, \$ bill.	886	71	76	158	77	159	108	238

Source: Internal Revenue Service, *Statistics of Income: Corporation Tax Returns*, 1974.



transportation equipment industries to over 50 percent in the chemical and fuel industries. They are relatively larger in the shares of accounts payable and other short-term liabilities, but for long-term debt vary only from 13 to 20 percent. Here too the differences would be affected by a shift from book to replacement or market values, but less so than in the case of the main groups of nonfinancial corporations because of smaller relative variations in the shares of structures, equipment, and land on the one hand and of net worth on the other.

### 6.8.3. Two Financial Ratios

The balance sheet of nonfinancial corporations permits the calculations of two interesting ratios, viz., the ratio of the market value of the shares of nonfinancial corporations to their adjusted equity (the market value of assets less liabilities) and to their tangible assets (replacement cost) respectively. These two series are shown in table 75.

Both ratios end the period with values slightly lower than they started, but this hides violent movements which primarily reflect the gyrations of stock prices. Thus the ratio of market value to adjusted equity exceeds unity in nine years (1961, 1963–68, 1971–72) but never by more than 25 percent. At the other extreme it reaches its nadir in 1974 with 0.44, not much more than one-third of the peak of 1968. As might be expected, the ratio is low in all cyclical trough years, and peaks one or, more often, two years after the trough (three years in 1965). Since level and movements of the value of tangible assets are of the same order of magnitude as those of the equity, the ratio of market value to tangible assets is similar to the ratio of market value to equity.

Another significant relationship is the leverage ratio (price-sensitive assets : net worth) which measures the percentage increase in net worth following a 1 percent change in the prices of price-sensitive assets, mainly tangible assets and direct foreign investment.<sup>9</sup> This ratio has been rising slowly from 1.18 in 1953 to 1.28 in 1964 and 1.35 in 1975 after reaching a level of 1.39 in 1972–74.

## 6.9. Federal Government

Measured by the size of assets, the federal government has been the slowest growing sector. This is reflected in table 76 in a decline of its share in national assets from 7.5 to 3.9 percent and in national wealth from 16 to 8 percent, and in the fall of the ratio of its assets to national product from 60 to 33 percent, in all three cases a reduction by about one-half. The three ratios declined in almost every year. The extent of the decline, however, was somewhat larger in the second half of the period.

9. Intercorporate stockholdings are netted out in the flow-of-funds statistics.

**Table 75** Relation of Market Value of Stock of Nonfinancial Corporations to Their Equity and Their Tangible Assets, 1953-75

	Market value	Market value		Market value	Market value
	Adjusted equity	Tangible assets		Adjusted equity	Tangible assets
1953	.574	.513	1965	1.188	.993
1954	.826	.744	1966	1.000	.817
1955	.934	.840	1967	1.189	.970
1956	.915	.809	1968	1.250	1.003
1957	.721	.634	1969	.994	.788
1958	.982	.871	1970	.925	.726
1959	.991	.876	1971	1.010	.789
1960	.956	.831	1972	1.051	.817
1961	1.122	.971	1973	.721	.558
1962	.980	.844	1974	.442	.342
1963	1.101	.941	1975	.551	.437
1964	1.165	.989			

Sources: Market Value: Federal Reserve Board (1980), pp. 143-45. Adjusted equity and tangible assets: table 72 for 1953, 1964, and 1975; worksheets for other years.

Tangible assets have accounted throughout the period for nearly four-fifths of total assets as can be seen in table 77. Land and structures increased their share substantially, particularly in the second half of the period, while the shares of equipment, mostly military, and of inventories (including strategic stockpiles) declined.

During the period on the average about three-fifths of the federal government's reproducible assets were military, the share being in the order of two-fifths for structures, over four-fifths for equipment, and two-thirds for inventories, but it declined between 1953 and 1975 from 64 to 53 percent (Bureau of Economic Analysis, printout). In constant prices the stock of military reproducible assets showed no trend so that its relation to national wealth fell substantially. In current prices it increased substantially—by 115 percent between 1953 and 1975 or at an annual rate of 3.5 percent, but declined sharply from 8.5 to 4.0 percent of the national total of reproducible assets. The federal government's stock of nonmilitary reproducible assets grew slowly in constant prices by only one-third or 1.3 percent a year, falling from 5.7 to 3.3 percent of the national total; in current prices it rose by 150 percent or slightly more than 4 percent annually, but declined from 4.8 to 3.3 percent of the national total.

The share of financial assets was in most years slightly above one-fifth of total assets.<sup>10</sup> The main changes in the composition of financial assets

10. The federal securities held by OASDI and other Treasury trust funds are netted out in the flow-of-funds statistics.

Table 76

## Assets of Federal Government, 1953-75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Gross national product (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National wealth (8)	assets (9)
	(1)	(2)	prices		prices				
			(3)	(4)	(5)	(6)	(7)	(8)	(9)
1953	215	353	100.0	100.0	...	...	.595	.161	.075
1954	226	371	105.1	105.1	+5.1	+5.1	.594	.161	.073
1955	247	386	114.9	109.3	+9.3	+4.0	.600	.161	.073
1956	259	385	120.5	109.1	+4.9	-0.3	.596	.156	.072
1957	264	384	122.8	108.8	+1.9	-0.3	.600	.149	.071
1958	271	387	126.0	109.6	+2.7	+0.8	.574	.145	.067
1959	282	397	131.2	112.5	+4.1	+2.6	.564	.144	.065
1960	286	398	133.0	112.7	+1.4	+0.3	.566	.140	.064
1961	296	404	137.7	114.4	+3.5	+1.5	.541	.140	.062
1962	304	412	141.4	116.7	+2.7	+2.0	.527	.137	.061
1963	310	421	144.2	119.3	+2.0	+2.2	.503	.133	.058
1964	318	427	147.9	121.0	+2.6	+1.4	.485	.129	.056
1965	327	431	152.1	122.1	+2.8	+0.9	.452	.124	.053
1966	338	435	157.2	123.2	+3.4	+0.9	.436	.120	.053
1967	351	440	163.3	124.6	+3.8	+1.1	.424	.115	.050
1968	373	450	173.5	127.5	+6.3	+2.3	.413	.112	.048
1969	396	446	184.2	126.3	+6.2	-0.9	.413	.108	.048
1970	403	453	187.4	128.3	+1.8	+1.6	.397	.103	.046
1971	413	424	192.1	120.1	+2.5	-6.4	.373	.098	.043
1972	425	416	197.7	117.8	+2.9	-1.9	.344	.092	.040
1973	459	402	213.5	113.9	+8.0	-3.4	.337	.086	.040
1974	499	384	232.1	108.8	+8.7	-4.5	.345	.082	.040
1975	535	388	248.8	109.9	+7.2	+1.0	.332	.080	.039

**Table 77**                    **Structure of Balance Sheet of Federal Government, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to gross national product		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1975 (6)
1. Land	5.01	8.02	11.47	2.98	3.89	3.80
2. Structures <sup>a</sup>	22.63	22.88	30.56	13.46	11.09	10.13
3. Equipment <sup>a</sup>	31.89	31.00	21.31	18.96	15.02	7.07
4. Inventories <sup>b</sup>	17.06	16.71	13.78	10.15	8.10	4.57
5. Tangible assets	76.59	78.62	77.11	45.55	38.10	25.57
6. Demand deposits and currency	2.74	2.61	2.09	1.63	1.27	0.69
7. Time and savings deposits	0.16	0.09	0.11	0.09	0.04	0.04
8. U.S. agency securities	0.00	0.00	1.31	0.00	0.00	0.43
9. Mortgages	1.54	1.85	2.53	0.92	0.90	0.84
10. Other loans	8.10	9.19	12.65	4.82	4.45	4.20
11. Trade credit	1.03	0.86	1.20	0.61	0.42	0.40
12. Other financial assets	9.83	6.78	3.00	5.85	3.29	1.00
13. Financial assets	23.41	21.38	22.89	13.92	10.36	7.59
14. Total assets, percent	100.00	100.00	100.00	59.47	48.47	33.16
15. Total assets, \$ bill.	215	318	535	...	...	...
16. U.S. government securities	104.98	80.75	81.79	62.43	39.14	27.12
17. Mortgages	0.00	0.57	0.20	0.00	0.28	0.07
18. Trade debt	1.21	1.06	0.97	0.72	0.51	0.32
19. Insurance and pension reserves	15.74	14.62	17.57	9.36	7.09	5.83
20. Other liabilities	3.44	1.70	2.35	2.05	0.83	0.78
21. Liabilities	125.37	98.70	102.88	74.55	47.84	34.12
22. Net worth	-25.37	1.30	-2.88	-15.08	0.63	-0.95

<sup>a</sup>Approximately three-fifths of lines 2 + 3 are military.

<sup>b</sup>Mostly military inventories and strategic stockpiles.

were the decline in the share of other financial assets, consisting mainly of taxes receivable, and the increase in the share of loans, more than half of which were made to foreign countries. Both movements occurred mainly during the second half of the period.

Liabilities have always been dominated to the extent of about four-fifths by U.S. government securities. Other liabilities consisted chiefly of government life insurance and partly funded retirement fund reserves of federal employees. The figures thus do not cover the much larger unfunded pension liabilities of the federal government, whose approximate size is discussed in 7.8. They would dwarf the pension liabilities and even the entire debt now shown in the balance sheet of the federal government.

#### **6.10. State and Local Governments**

The rapid expansion of the assets of state and local governments resulted in an increase in their relation to national wealth from 12 to 18 percent, to national assets from 5.6 to 8.5 percent; and to national product from 45 to 73 percent as can be seen in table 78. Most of the increase in these ratios occurred during the second half of the period.

Tangible assets have always predominated in the balance sheets of state and local governments, shown in table 79, and to a slightly increasing extent. The share of financial assets declined from 14 to less than 12 percent, particularly the holdings of federal and state and local government securities, whose share in total assets fell from over 7 to less than 5 percent. Mortgages were the only financial asset to increase its share substantially in connection with home financing schemes. The ratio of state and local government securities, which include almost all their liabilities, to total assets decreased slightly from 21 to 19 percent, mostly in the second half of the period, notwithstanding a very large increase in the absolute amounts of these securities outstanding from \$35 billion to \$224 billion.

#### **6.11. Rest of the World**

Foreign investments in the United States and American investments abroad, which are measured by the asset and liabilities side of the rest-of-the-world account, shown in tables 80 to 82 grew more rapidly than those of any domestic sector. As a result, foreign investments in the United States rose from 6 to 12 percent of national product, from 1.6 to 3.0 percent of national wealth, and from 0.8 to 1.4 percent of national assets. Similarly American investments abroad increased from 10 to 16 percent of gross national product, from 2.8 to 4.4 percent of national wealth, and from 1.3 to 1.9 percent of national assets. The excess of

Table 78

## Assets of State and Local Governments, 1953-75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Gross national product (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National wealth (8)	assets (9)
	(1)	(2)	(3)	(4)	(5)	(6)			
1953	162	278	100.0	100.0	...	...	.446	0.121	0.056
1954	169	294	104.3	105.8	+4.3	+5.8	.444	0.121	0.055
1955	188	310	116.0	111.5	+11.2	+5.4	.459	0.123	0.056
1956	210	324	129.6	116.5	+11.7	+4.5	.483	0.126	0.058
1957	226	340	139.5	122.3	+7.6	+4.9	.515	0.127	0.060
1958	240	360	148.1	129.5	+6.2	+5.9	.510	0.129	0.059
1959	257	384	158.6	138.1	+7.1	+6.7	.513	0.131	0.060
1960	271	410	167.3	147.5	+5.4	+6.8	.537	0.133	0.061
1961	290	437	179.0	157.2	+7.0	+6.6	.530	0.137	0.060
1962	311	462	192.0	166.2	+7.2	+5.7	.540	0.140	0.063
1963	335	493	206.8	177.3	+7.7	+6.7	.543	0.144	0.063
1964	361	524	222.8	188.5	+7.8	+6.3	.551	0.146	0.064
1965	392	557	242.0	200.4	+8.6	+6.3	.542	0.149	0.064
1966	428	591	264.2	212.6	+9.2	+6.1	.552	0.151	0.067
1967	465	626	287.0	225.2	+8.6	+5.9	.561	0.153	0.066
1968	513	660	316.7	237.4	+10.3	+5.4	.567	0.154	0.066
1969	572	685	353.1	246.4	+11.5	+3.8	.597	0.156	0.070
1970	644	713	397.5	256.5	+12.6	+4.1	.634	0.164	0.074
1971	709	739	437.7	265.8	+10.1	+3.6	.639	0.169	0.074
1972	788	772	486.4	277.7	+11.1	+4.5	.637	0.171	0.074
1973	928	800	572.8	287.8	+17.8	+3.6	.681	0.174	0.080
1974	1,091	821	673.5	295.3	+17.6	+2.6	.754	0.178	0.087
1975	1,178	839	727.2	301.8	+8.0	+2.2	.731	0.177	0.085

Table 79

## Structure of Balance Sheet of State and Local Governments, 1953, 1964, and 1975

	Distribution (percent of total assets)			Relation to gross national product (percent)		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1975 (6)
1. Land	17.46	23.43	21.76	7.78	12.90	15.90
2. Structures	64.41	59.47	62.23	28.72	32.74	45.47
3. Equipment	3.96	4.56	4.07	1.77	2.51	2.98
4. Inventories	0.08	0.09	0.13	0.03	0.05	0.09
5. Tangible assets	85.90	87.55	88.19	38.31	48.21	64.44
6. Demand deposits and currency	4.69	3.46	1.21	2.09	1.91	0.89
7. Time and savings deposits	1.21	2.72	4.08	0.54	1.50	2.98
8. U.S. government securities	5.60	4.20	2.60	2.50	2.31	1.90
9. U.S. agency securities	0.34	0.23	1.89	0.15	0.13	1.38
10. State and local government securities	1.42	0.62	0.37	0.63	0.34	0.27
11. Mortgages	0.30	0.70	1.09	0.14	0.38	0.79
12. Other financial assets	0.53	0.52	0.56	0.24	0.29	0.41
13. Financial assets	14.10	12.45	11.81	6.29	6.85	8.63
14. Total assets, percent	100.00	100.00	100.00	44.59	55.06	73.07
15. Total assets, \$ bill.	162	361	1,178	...	...	...
16. State and local government securities	21.36	25.74	19.00	9.53	14.17	13.88
17. Trade debt	0.91	0.92	0.91	0.41	0.51	0.67
18. Other loans	0.48	0.68	0.49	0.21	0.38	0.36
19. Liabilities	22.76	27.34	20.40	10.15	15.06	14.91
20. Net worth	77.24	72.66	79.60	34.44	40.00	58.16

Table 80

## Foreign Assets of American Sectors, 1953-75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Gross national product (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National wealth (8)	assets (9)
	prices		prices		prices				
(1)	(2)	(3)	(4)	(5)	(6)				
1953	37	62	100.0	100.0	...	...	0.102	0.028	0.013
1954	39	65	105.4	104.8	+5.4	+4.8	0.102	0.028	0.013
1955	41	66	110.8	106.5	+5.1	+1.5	0.100	0.027	0.012
1956	47	73	127.0	117.7	+14.6	+10.6	0.107	0.028	0.013
1957	52	79	140.5	127.4	+10.6	+8.2	0.118	0.029	0.014
1958	56	83	151.4	133.9	+7.7	+5.1	0.118	0.030	0.014
1959	59	87	159.5	140.3	+5.4	+4.8	0.118	0.030	0.014
1960	64	93	173.0	150.0	+8.5	+6.9	0.127	0.031	0.014
1961	70	101	189.2	162.9	+9.4	+8.6	0.129	0.033	0.015
1962	76	106	205.4	171.0	+8.6	+5.0	0.132	0.034	0.015
1963	82	114	221.6	183.9	+7.9	+7.5	0.133	0.035	0.015
1964	94	128	254.1	206.5	+14.6	+12.3	0.143	0.038	0.017
1965	102	135	275.7	217.7	+8.5	+5.5	0.140	0.039	0.017
1966	107	138	289.2	222.6	+4.9	+2.2	0.139	0.038	0.017
1967	117	144	316.2	232.3	+9.3	+4.3	0.141	0.038	0.017
1968	127	150	343.2	241.9	+8.5	+4.2	0.140	0.038	0.016
1969	135	152	364.9	245.2	+6.3	+1.3	0.141	0.037	0.016
1970	142	152	383.8	245.2	+5.2	+0.0	0.140	0.036	0.016
1971	154	157	416.2	253.2	+8.5	+3.3	0.139	0.037	0.016
1972	169	165	456.8	266.1	+9.7	+5.1	0.136	0.037	0.016
1973	192	174	518.9	280.6	+13.6	+5.5	0.141	0.036	0.017
1974	232	188	627.0	303.2	+20.8	+8.0	0.160	0.038	0.019
1975	264	202	713.5	325.8	+13.8	+7.4	0.164	0.044	0.019



Table 81

## American Assets of Rest-of-the-World Sector, 1953-75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Gross national product (7)	Ratio to	
	Current	1972	Current	1972	Current	1972		National wealth (8)	assets (9)
	prices		prices		prices				
(1)	(2)	(3)	(4)	(5)	(6)				
1953	22	37	100.0	100.0	...	...	0.060	0.016	0.008
1954	25	42	113.6	113.5	+13.6	+13.5	0.066	0.018	0.008
1955	28	45	127.3	121.6	+12.0	+7.1	0.068	0.018	0.008
1956	31	48	140.9	129.7	+10.7	+6.7	0.070	0.019	0.009
1957	31	47	140.9	127.0	+0.0	-2.1	0.070	0.017	0.008
1958	34	52	154.5	140.5	+9.7	+10.6	0.073	0.018	0.008
1959	39	57	177.3	154.1	+14.7	+9.6	0.078	0.020	0.009
1960	41	60	186.4	162.2	+5.1	+5.3	0.082	0.020	0.009
1961	46	66	209.1	178.4	+12.2	+10.0	0.084	0.022	0.010
1962	46	65	209.1	175.7	+0.0	-1.5	0.080	0.021	0.009
1963	52	72	236.4	194.6	+13.0	+10.8	0.084	0.022	0.010
1964	57	78	259.1	210.8	+9.6	+8.3	0.087	0.022	0.010
1965	59	78	268.2	210.8	+3.5	+0.0	0.081	0.022	0.010
1966	60	77	272.7	208.1	+1.7	-1.3	0.077	0.021	0.009
1967	68	85	309.1	229.7	+13.3	+10.4	0.083	0.022	0.010
1968	78	92	354.5	248.6	+14.7	+8.2	0.086	0.023	0.010
1969	86	97	390.9	262.2	+10.3	+5.4	0.090	0.023	0.010
1970	92	99	418.2	267.6	+7.0	+2.1	0.091	0.023	0.011
1971	117	119	531.8	321.6	+27.2	+20.2	0.106	0.028	0.012
1972	142	138	645.5	373.0	+21.4	+16.0	0.114	0.031	0.013
1973	154	139	700.0	375.7	+8.5	+0.7	0.113	0.029	0.013
1974	177	144	804.5	389.2	+14.9	+3.6	0.123	0.029	0.014
1975	199	152	904.5	410.8	+12.4	+5.6	0.124	0.030	0.014

**Table 82**                    **Structure of Balance Sheet of Rest-of-the-World Sector, 1953, 1964, and 1975**  
(percent)

	Distribution			Relation to gross national product		
	1953 (1)	1964 (2)	1975 (3)	1953 (4)	1964 (5)	1975 (6)
1. Demand deposits and currency	6.85	7.84	7.04	0.41	0.68	0.87
2. Time and savings deposits	11.00	9.70	10.52	0.66	0.84	1.30
3. U.S. government securities	20.73	23.53	33.41	1.25	2.04	4.12
4. Corporate and foreign bonds	1.23	1.62	1.04	0.07	0.14	0.13
5. Corporate stock	16.68	24.32	13.42	1.01	2.11	1.66
6. Open-market paper	1.83	2.85	4.24	0.11	0.25	0.52
7. Trade credit	1.68	1.42	5.82	0.10	0.12	0.72
8. Direct foreign investments	19.43	14.70	11.60	1.17	1.28	1.43
9. Other financial assets	20.57	14.03	12.91	1.24	1.22	1.59
10. Total assets, percent	100.00	100.00	100.00	6.04	8.68	12.35
11. Total assets, \$ bill.	21.9	56.9	199.0	...	...	...
12. Corporate and foreign bonds	14.18	16.17	12.85	0.86	1.40	1.59
13. Bank loans	3.09	11.74	10.95	0.19	1.02	1.35
14. Other loans	55.88	35.46	23.51	3.37	3.08	2.90
15. Open-market paper	0.90	4.61	5.59	0.05	0.40	0.69
16. Trade debt	2.12	4.99	7.13	0.13	0.43	0.88
17. Direct foreign investment	74.43	78.03	59.13	4.50	6.77	7.30
18. Other liabilities	17.65	14.24	13.41	1.07	1.24	1.66
19. Liabilities	168.25	165.23	132.57	10.16	14.33	16.37
20. Net worth	-68.25	-65.23	-32.57	-4.12	-5.66	-4.02

American investments abroad over foreign investments in the United States rose from \$15 billion to \$65 billion, but its relation to national wealth remained close to 1 percent. The increase in the ratios was fairly evenly divided between the two halves of the period in the case of foreign investments in the United States, but was concentrated in the first half for American investments abroad.<sup>11</sup>

The structure of the two sides of the rest-of-the-world balance sheet differs considerably. Direct investments and bank and government loans dominate American investments abroad—to the extent of nearly four-fifths in 1953 and of seven-tenths in 1975—while foreign bond issues represent less than one-tenth of the total. Foreign investments in the United States, on the other hand, largely held by central banks and governments, consist mostly of liquid or marketable assets. Among them bank deposits accounted for nearly one-fifth in 1953 and in 1975, U.S. government securities for about one-fifth in 1953 and one-third in 1975, and corporate stock for one-sixth in 1953 and one-eighth in 1975, after having reached nearly one-fifth in the mid-1960s, the reduction in part reflecting the fall in stock prices near the end of the period. Foreign direct investments in the United States, were not insignificant, but declined from nearly one-fifth of total foreign-held American assets in 1953 to not much over one-tenth in 1975.

### 6.12. Financial Institutions

The assets of financial institutions increased between 1953 and 1975 by 460 percent in current prices, though only by 155 percent in constant prices, or at annual average rates of 8.2 and 4.3 percent, as shown in table 83. In current prices the rate of growth was higher in the second period (8.8 against 7.6 percent), in constant prices in the first period (5.5 against 3.2 percent). The ratio of their assets to national product, national wealth and national assets increased substantially, mainly, or in the case of the ratio to national wealth entirely, in the first half of the period.

Changes in the structure of the combined balance sheets of financial institutions, which can be followed in table 84, are the results of net purchases and sales and of changes in asset prices. Since all claims and liabilities are entered at par, price changes affect only corporate stock holdings, and tangible assets,<sup>12</sup> which together accounted for only 8

11. It should be kept in mind that direct investments are entered at book value rather than at presumptive market value. Hence the absolute figures for total investments abroad and for foreign investments in the United States are somewhat too low, and the share of direct investments in total foreign investments is too low.

12. Since gold is valued at \$35 per ounce through 1971 and at \$38 or \$42 in 1972–75 in the Federal Reserve Board's flow-of-funds statistics, variations in its price hardly affect tables 83–85. The only sector whose assets would change if gold is valued at market price is that of monetary authorities, and the effects of such a revaluation are indicated in footnotes. By the

Table 83

## Assets of Financial Institutions, 1953-75

	Amount (\$ bill.)		Index (1953 = 100.0)		Annual rate of change (percent)		Ratio of col. 1 to			Share of monetary authori- ties (percent) (10)
	Current prices	1972	Current prices	1972	Current prices	1972	Gross national product (7)	National		
								wealth (8)	assets (9)	
(1)	(2)	(3)	(4)	(5)	(6)					
1953	468	790	100.0	100.0	...	...	1.291	0.350	0.163	11.5
1954	508	844	108.5	106.8	+8.5	+6.8	1.333	0.363	0.164	10.4
1955	551	890	117.7	112.7	+8.5	+5.5	1.340	0.361	0.163	9.7
1956	580	904	123.9	114.4	+5.3	+1.6	1.334	0.348	0.160	9.3
1957	601	916	128.4	115.9	+3.6	+1.3	1.368	0.339	0.161	9.0
1958	660	988	141.0	125.1	+9.8	+7.9	1.400	0.354	0.162	8.1
1959	705	1,034	150.6	130.9	+6.8	+4.7	1.410	0.359	0.164	7.6
1960	746	1,082	159.4	137.0	+5.8	+4.6	1.474	0.366	0.167	7.0
1961	823	1,178	175.9	149.1	+10.3	+8.9	1.504	0.387	0.172	6.6
1962	875	1,230	187.0	155.7	+6.3	+4.4	1.519	0.393	0.177	6.4
1963	961	1,332	205.3	168.6	+9.8	+8.3	1.559	0.412	0.181	6.0
1964	1,046	1,426	223.5	180.5	+8.8	+7.1	1.595	0.424	0.186	5.8
1965	1,143	1,519	244.2	192.3	+9.3	+6.5	1.580	0.434	0.187	5.6
1966	1,200	1,539	256.4	194.8	+5.0	+1.3	1.549	0.425	0.188	5.7
1967	1,324	1,642	282.9	207.8	+10.3	+6.7	1.599	0.436	0.188	5.5
1968	1,459	1,726	311.8	218.5	+10.2	+5.1	1.614	0.438	0.188	5.3
1969	1,525	1,709	325.9	216.3	+4.5	-1.0	1.590	0.416	0.186	5.3
1970	1,650	1,759	352.6	222.7	+8.2	+2.9	1.625	0.420	0.189	5.2
1971	1,864	1,900	398.3	240.5	+13.0	+8.0	1.681	0.443	0.195	5.1
1972	2,123	2,074	453.6	262.5	+13.9	+9.2	1.716	0.461	0.200	4.6
1973	2,282	2,065	487.6	261.4	+7.5	-0.4	1.676	0.428	0.198	4.7
1974	2,393	1,940	511.3	245.6	+4.9	-6.1	1.653	0.391	0.185	4.7
1975	2,637	2,012	563.5	254.7	+10.2	+3.7	1.635	0.397	0.191	4.7 <sup>a</sup>

<sup>a</sup>With gold at market value 5.8 percent.

percent of total assets in 1953 and for 14 percent in 1975. The changes may therefore be regarded as primarily the result of changes in the portfolio policies of different financial institutions and of changes in the relative importance of the various types of financial institutions which follow different portfolio policies. An understanding of the shifts evident in table 84 therefore requires knowledge of the differences in the portfolio policies of different financial institutions,<sup>13</sup> and of the relative importance of these institutions which is apparent in table 85.

For all financial institutions taken together, three structural changes in the distribution of assets stand out: the decline in the share of U.S. government securities (including U.S. agency securities) from nearly 30 to less than 12 percent of total assets between 1953 and 1975; the increase in the share of mortgages from 17 to 27 percent; and the irregular movements of the share of corporate stock, rising from 7 to 15 percent during the first half of the period, but falling back to 11 percent during the second half. The decline in the share of U.S. government securities, which occurred in the face of fairly stable absolute holdings during the first half of the period, and a doubling during the second half of the period, was common to nearly all types of financial institutions and reflected the declining importance, compared to the extraordinarily high level at the end of World War II, of U.S. government securities in the financial superstructure of the United States, particularly during the first part of the period.

The rise in the share of mortgages is due to the increase in the relative importance of financial institutions which specialize in this instrument, particularly savings and loan associations, as well as the increasing share of mortgages in the total assets of several multi-purpose financial institutions, and is paralleled on the liabilities side by an increase in the share of time and savings deposits from 21 to 34 percent. Both trends reflect the high level of activity of new construction and sales of existing houses, which were facilitated by large-scale assistance from the federal government.

The movements of the share of corporate stock mirror both the movements of stock prices and the increasing share of corporate stock in the portfolios of some rapidly growing types of financial institutions, particularly pension funds and investment companies.

No other asset changed its share by more than 3 percent of total assets, except gold and foreign exchange, whose share at book value declined by

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end of 1975 the difference between book and market value of gold holdings was about \$30 billion or 2.3 percent of the assets of monetary authorities, but only 0.2 percent of national assets.

13. These changes can be followed in the balance sheets and fund flows of the different groups of financial institutions in the Federal Reserve Board's flow-of-funds accounts.

**Table 84**                    **Growth, Distribution, and Relation to Gross National Product of Balance Sheet Components of All Financial Institutions, 1953, 1964, and 1975**  
(percent)

	Rate of growth (percent per year)			Distribution			Relation to gross national product		
	1954 to 1964	1965 to 1975	1954 to 1975	1953	1964	1975	1953	1964	1975
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Tangible assets	10.38	19.27	14.74	0.76	1.01	2.78	0.98	1.61	4.55
2. Demand deposits and currency	4.49	3.85	4.17	1.69	1.23	0.74	2.19	1.96	1.21
3. Gold and foreign exchange	-3.05	-2.63	-2.84	4.70	1.49	0.44	6.07	2.38	0.72
4. Time and savings deposits	11.64	14.66	13.14	0.29	0.44	0.79	0.38	0.70	1.29
5. U.S. government securities	0.83	3.99	2.40	28.69	14.05	8.57	37.04	22.41	14.01
6. U.S. agency securities	7.36	22.90	14.86	0.80	0.78	3.01	1.04	1.25	4.92
7. State and local government securities	9.34	8.97	9.15	5.11	6.10	6.22	6.59	9.73	10.18
8. Corporate and foreign bonds	7.28	8.51	7.89	10.86	10.52	10.25	14.02	16.78	16.76
9. Corporate stock	15.09	5.85	10.37	7.13	14.95	11.08	9.20	23.85	18.12
10. Mortgages	11.43	9.55	10.48	16.89	24.84	26.87	21.81	39.63	43.95
11. Bank loans n.e.c.	9.18	10.78	9.98	7.31	8.58	10.51	9.44	13.70	17.18

12. Other loans	11.59	12.05	11.82	1.75	2.62	3.63	2.27	4.18	5.94
13. Consumer credit	10.22	9.47	9.85	4.51	5.88	6.31	5.82	9.38	10.32
14. Open-market paper	10.98	17.53	14.27	0.27	0.38	0.88	0.35	0.60	1.44
15. Trade credit	9.85	9.45	9.65	0.22	0.24	0.29	0.28	0.38	0.48
16. Other financial assets	5.00	9.77	7.36	9.02	6.90	7.63	11.64	11.00	12.47
17. Assets	7.59	8.49	8.04	100.00	100.00	100.00	129.10	159.54	163.53
18. Demand deposits and currency	2.47	5.49	3.98	29.47	17.24	12.33	38.04	27.50	20.16
19. Time and savings deposits	10.39	10.78	10.58	20.68	27.43	33.55	26.70	43.77	54.87
20. U.S. agency securities	11.62	21.04	16.24	0.94	1.41	4.58	1.22	2.25	7.49
21. Corporate	12.02	10.19	11.10	0.79	1.23	1.42	1.02	1.96	2.31
22. Mortgages	13.57	11.24	12.40	0.12	0.21	0.27	0.15	0.34	0.45
23. Bank loans n.e.c.	11.41	13.51	12.45	0.65	0.96	1.54	0.84	1.53	2.51
24. Other loans	17.23	12.22	14.70	0.20	0.52	0.74	0.26	0.83	1.20
25. Open-market paper	14.57	17.00	15.78	0.35	0.70	1.42	0.45	1.12	2.33
26. Insurance and pension reserves	8.56	7.64	8.10	18.92	20.88	18.62	24.43	33.31	30.44
27. Other liabilities	5.23	10.97	8.06	11.58	9.07	11.31	14.95	14.47	18.49
28. Liabilities	7.12	9.58	8.34	83.71	79.65	85.76	108.09	127.08	140.25
29. Common trust funds	15.70	10.71	13.18	0.25	0.56	0.68	0.32	0.89	1.11
30. Individual trust funds	9.17	3.60	6.35	8.11	9.52	5.58	10.47	15.19	9.12
31. Equities	10.15	6.13	8.12	7.93	10.27	7.98	10.24	16.38	13.05
32. Liabilities and equity	7.59	8.49	8.04	100.00	100.00	100.00	129.10	159.54	163.53

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Table 85

Assets<sup>a</sup> of Financial Institutions, Rate of Growth, Distribution, and Relation to Gross National Product, 1953–75

	Rate of growth <sup>b</sup>			Distribution			Relation to gross national product		
	1954 to 1964	1965 to 1975	1954 to 1975	1953	1964	1975	1953	1964	1975
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Monetary authorities	1.17	6.69	3.89	11.59	5.90	4.86	14.85	9.33	7.73
2. Commercial banks	5.53	9.76	7.62	37.38	30.28	34.08	47.90	47.82	54.19
3. Mutual savings banks	6.61	7.36	6.98	5.86	5.31	4.68	7.51	8.39	7.45
4. Savings and loan associations	14.57	9.86	12.19	5.76	11.53	13.10	7.38	18.20	20.83
5. Credit unions	15.97	12.69	14.32	0.42	0.96	1.45	0.54	1.52	2.30
6. Federally sponsored credit agencies	13.93	19.87	16.86	0.88	1.65	4.89	1.12	2.61	7.78
7. Life insurance companies	5.98	6.16	6.07	16.48	14.00	10.92	21.12	22.11	17.36
8. Fraternal life insurance companies	3.70	5.33	4.51	0.51	0.34	0.25	0.65	0.54	0.39
9. Savings bank life insurance	7.72	6.22	6.97	0.03	0.03	0.03	0.04	0.05	0.04
10. Private pension funds	16.71	7.93	12.23	2.53	6.21	5.81	3.24	9.81	9.24
11. State and local government retirement funds	13.02	11.94	12.48	1.72	2.96	4.13	2.20	4.67	6.57
12. Other insurance companies	7.56	7.54	7.55	3.36	3.36	3.02	4.31	5.30	4.80
13. Open-end investment companies	19.38	3.43	11.12	0.89	2.81	1.65	1.14	4.44	2.62
14. Real estate investment trusts	...	...	...	...	...	0.45	...	...	0.72
15. Finance and mortgage companies	10.16	8.60	9.37	2.95	3.83	3.84	3.78	6.06	6.10
16. Money market funds	...	...	...	...	...	0.14	...	...	0.23
17. Security brokers and dealers	7.28	5.17	6.22	0.98	0.95	0.67	1.26	1.50	1.07
18. Bank-administered trust funds	9.45	3.88	6.63	8.12	9.83	6.04	10.41	15.53	9.60
19. Postal savings	-14.52	-21.66	-18.17	0.53	0.04	0.00	0.68	0.07	0.00
20. All financial institutions	7.59	8.77	8.18	100.00 <sup>c</sup>	100.00 <sup>c</sup>	100.00 <sup>c</sup>	128.12	157.93	158.99

<sup>a</sup>Financial assets only without tangible assets which account for 0.8 percent of total assets in 1953, 1.0 percent in 1964, and 2.8 percent in 1975.

<sup>b</sup>Rate of growth in constant (1972) prices lower by 2.07 percent for col. 1; 5.59 percent for col. (2); and 3.84 percent for col. 3.

<sup>c</sup>Absolute figures (\$ bill.): 464 in 1953; 1,036 in 1964; 2,563 in 1975.



over 4 percent to less than 0.5 percent, through the decline in the second half of the period would disappear if market values were used.

On the liabilities side, the outstanding structural changes are the sharp decline in the share of currency and demand deposits and the increase in the share of time and savings deposits, which almost offset each other, with the result that the combined share of both types of deposits declined only from 50 to 46 percent. These movements reflect changes in the portfolio preferences of households and business enterprises as well as monetary policy. The share of insurance and pension reserves stayed close to one-fifth.

Rates of growth of the financial assets and liabilities of different financial institutions varied, as table 85 shows, from minus 3 percent for gold (plus 3½ percent at market value) to 15 percent for U.S. agency securities compared to a rate of eight percent for all instruments. Among important assets, state and local government securities, all types of loans, and corporate stock increased more rapidly than total assets. U.S. government securities were the only important asset growing much more slowly than total assets. Among liabilities, most components expanded more rapidly than the total, the main exceptions being demand deposits, currency, and individual trust funds, and with a very narrow margin, insurance and pension reserves.

Most components followed the pattern of total assets and liabilities in which the rate of growth during the second half of the period was slightly higher than that during the first half. The main exceptions were, among assets, corporate stock, mortgages, and consumer credit; and, among liabilities, insurance and pension reserves and trust funds.

Differences in the distribution of assets among the various groups of financial institutions shown in table 85 were pronounced. The largest increases, in absolute terms, were registered by savings and loan associations—from 5.8 to 13.1 percent of total assets of financial institutions—and by federally sponsored credit agencies, whose share in the assets of all financial institutions rose from 0.9 percent in 1953 to 4.9 percent in 1975, followed by private and state and local government pension funds and, at a considerable distance, by finance companies and open-end investment companies. The largest declines occurred in the case of monetary authorities, whose share was more reduced from 11.6 to 4.9 percent (about 6 percent with gold at market value), and of life insurance companies, which fell from 16.5 to 10.9 percent in contrast to the rapid increase of households' claims against pension funds, including those of the federal government. Smaller declines were registered for commercial banking, mutual savings banks, and bank-administered trusts. Most of the changes occurred during the first half of the period. The share in total assets reversed direction in only four groups of institutions—commercial banks, private pension funds, open-end investment companies, and bank

administered trusts—in all cases except commercial banking increasing in the first and declining in the second half of the period.

These changes reflect differences in the rate of growth of assets of individual institutions shown in columns 1 to 3 of table 85. Thus, compared to an average rate of growth for all financial institutions of 8.2 percent, the rate for individual institutions ranged from -18.2 percent for postal savings to +16.9 percent for federally sponsored credit agencies. The rate was considerably above the average, among large groups, for savings and loan associations and pension funds, and below it for the banking system (monetary authorities, commercial banking, and mutual savings banks), life insurance companies, and bank-administered trust funds.

While the assets of all financial institutions increased more rapidly at 8.8 percent during the second half of the period than during the first half with 7.6 percent, the pattern was the opposite for most individual groups, only five of nineteen showing an increase from the first to the second half of the period. The explanation is that these five include the largest group, commercial banking, as well as monetary authorities, mutual savings banks, federally sponsored agencies, and life and fraternal insurance organizations.

A rough idea of the importance of financial institutions in the economy is provided by the relation of their resources to gross national product, which can be followed in column 7 of table 83. Over the period as a whole, the ratio increased from 1.29 to 1.64, but most of the advance occurred during the first part of the period, the ratio reaching the value of 1.60 as early as 1964. The rise was fairly regular, the ratio advancing in ten of the eleven years of the first half and in five years of the second half of the period. The year-to-year movements of the ratio do not exhibit a pronounced relationship to business cycle movements.

Nine of the seventeen groups of financial institutions (omitting the two not in operation in 1953) increased the ratio of their financial assets to gross national product in line with the advance of the ratio for all financial institutions. The advance was most pronounced for savings and loan associations, federally sponsored credit agencies, and pension funds. The ratio for commercial banks advanced only moderately, and only during the second half of the period. Eight groups failed to increase their assets in line with the expansion of gross national product, the most important being monetary authorities, life insurance companies, and bank-administered trust funds.

While the ratio of assets of financial institutions to gross national product rose from 1.28 to 1.59 during the first half of the period and remained at that level through the second half, the movement of the ratio deviated from this pattern for all but one subgroup: finance and mortgage companies. Among the others the most common pattern, shown by nine

subgroups, was an increase in the first half and decline in the second half of the period. In four subgroups (savings and loan associations, credit unions, federally sponsored agencies, state and local retirement funds) the ratio increased in both halves; and in three subgroups it decreased in both halves (monetary authorities, fraternal insurance, postal savings).