BOOK REVIEWS

A Study of Saving in the United States, Vols. I and II. By Raymond W. Goldsmith. Princeton University Press, Princeton, New Jersey. 1955. pp. xxx + 1138, xxiv + 632. $30.00.

Saving is an elusive concept in economics and has been the subject of much recent research. Goldsmith now adds his monumental treatise to our basic fund of knowledge. The book is a statistical study of types of *saving* and types of *savers* in the United States during the period 1897–1949.

The approach to savings estimates in this study is almost entirely through balance sheet accounting, i.e., saving is measured directly as the net sum of changes in assets and liabilities over annual accounting periods. An exception occurs in the case of corporate saving where profit-and-loss or income-flow accounting is used. In that case savings are estimated as the difference between earnings and dividends.

Among types of *saving*, Goldsmith presents annual estimates for a wide variety covering such items as changes in bank balances, net additions to residential real estate, saving through life assurance, saving through pension funds, changes in security holdings, changes in indebtedness, changes in stocks of durable goods, and many other detailed groups. Among types of *savers* he distinguishes non-agricultural individuals, farmers, unincorporated businesses (not businessmen as separate persons), corporations, state and local governments, and the federal government. Variety does not stop here. He also estimates many alternative concepts of saving—personal saving with and without net expenditures on consumer durable goods, saving according to the principles of social accounting and business accounting, saving on a current cash flow basis, saving with and without military assets and allowances for quality of soil.

The magnitude of the task and the importance of the details may not be adequately appreciated by those who have not attempted to use such materials for serious research purposes. I can speak for work in applied econometrics in saying that here is a wealth of statistical information that can be used in many investigations that have hitherto not been possible because of lack of data.

Goldsmith makes a direct estimate of saving—an estimate to be distinguished from the usual residual estimate found in national income accounting, where savings are estimated as the difference between income and expenditure. In the United States, direct estimates of saving have for some time been made by the Securities Exchange Commission and the Department of Commerce,[1] but these series are far less comprehensive or detailed than Goldsmith's information. The importance and difficulty of the task of making complete and detailed direct estimates is seen in comparison with the efforts to fill this basic gap in statistical knowledge in the U.K.[2] There, understanding of part of the economic process is seriously hampered by the inability to make a complete direct estimate without a large unexplained residual that fluctuates by large amounts from year to year.

In getting an estimate of business saving for corporate or unincorporated business, Goldsmith finds it necessary to revalue depreciation charges from conventional accounting prices to replacement costs. This part of his work, essentially an elaboration and re-

[1] For a detailed study of these data see I. Friend and V. Natrella, *Individuals' Saving*, (New York: John Wiley and Sons), 1954.

[2] C. Saunders, "The Pattern of Savings and Investment," *Review of Economic Studies*, Vol. XXII (ii), Feb., 1955.

finement of Fabricant's pioneering study,[3] is without doubt a major contribution. From these data and from an extension of depreciation estimates to many non-business assets such as residential real estate, consumer durables, government capital, etc., Goldsmith has been able to construct series of capital stock by type as an important by-product of the savings estimates *per se*.[4] In this connection, the terminal date of 1949 appears to be very unfortunate. Of all the data prepared, the depreciation series give the most urgent need for continuation on a current basis.

In presenting his research findings, Goldsmith has included in Volume I a general discussion of savings concepts, an economico-historical analysis of some of the main series, and masses of detailed tables. He leaves for Volume II an explanation of the estimating procedure for each series and comparisons with results of other investigators.

In the analytical section of Volume I there are a number of dispensable calculations of alternative trends in the savings data and of comparisons to the reference cycle chronology of the National Bureau of Economic Research. Among the other analytical observations, it is worth noting that he confirms our generally held notions about the growth of some forms of institutional and contractual saving. He does not find the same hierarchy of individual saving patterns noted in recent sample surveys—high saving propensities of farmers, next of unincorporated businessmen, and next of other individuals.[5] Goldsmith's divergent findings are only to a minor extent explained by the fact that he does not combine personal and business accounts of owners of unincorporated businesses. The principal reason, in recent years, must surely lie in his revaluation of depreciation and inventory change. In other years, the farm and business groups are affected, on the average, by extreme cylical fluctuations unlike the pattern of recent postwar years.

The study as a whole is a model of proper research presentation aside from its overbearing size and price. The author explains carefully what is done in each step of the estimation procedure in a way that permits duplication by the interested reader. Moreover, the results are presented in sufficient detail so that most aggregates that one would want for special purposes can be built up from different combinations of component series. Some particularly useful and customary aggregations are made in the book. The remainder can be made for specific research purposes as needed, but a word of caution to the prospective user of these data is in order, namely, not to combine basic detailed tables too hastily without extremely careful reading of substantial amounts of supporting text. The manipulation of these data and the concepts involved are very "tricky," indeed.

I delved into these volumes full of great expectations, being excited at the prospect of finding annual saving estimates by type of saver and type of saving for the period since 1897. In the end, I was greatly disappointed. Very few of the series, and certainly not the important ones, are usable on an annual basis for the period before 1920. It is even questionable in my mind whether the data are reliable enough for serious scholarly work on a decennial or quinquennial basis for this earlier period. For the 1920's, the annual estimates have generally questionable reliability. In the 1930's, the data meet standards of acceptability and in the 1940's, they are of good reliability.

[3] S. Fabricant, *Capital Consumption and Adjustment*, (New York: National Bureau of Economic Research), 1938.

[4] See R. W. Goldsmith, "A Perpetual Inventory of National Wealth," *Studies in Research in Income and Wealth*, Vol. XIV. (New York: National Bureau of Economic Research), 1951, and "The Growth of Reproducible Wealth of the United States of America from 1805 to 1950," *Income and Wealth*, Series II, (Cambridge: Bowes and Bowes), 1952.

[5] See J. N. Morgan, "The Structure of Aggregate Personal Saving," *Journal of Political Economy*, Vol. LIX, Dec., 1951, pp. 528–534, and Vol. LXI, Dec., 1953, p. 536.

The split of saving into that by farmers, nonfarm individuals, and unincorporated business is equally disappointing. Farm purchases of durable goods are estimated on the basis of the farm share of personal income as are farm purchases of government bonds during World War I. Data constructed in this way will never be of use to us in testing for differences in behavior patterns. Data for unincorporated business are estimated from material for small corporations, residuals in national totals from which corporation data have been subtracted, and numerous proxy series. Goldsmith's indignation with the lack of basic data in this area hardly contributes towards raising the level of accuracy. In general, the main criticism of the study is the seeming feeling of a need to produce a numerical result even where the figures do not exist. There is an unwillingness to substitute that mark of good scholarship "D.K."

There is no doubt that Goldsmith made the strongest possible effort to produce reliable estimates for the whole period. He uncovered every known source—many of them unknown to most of us heretofore. His one possible failing is the inability to appreciate fully the contribution to his problem of the results of sample surveys. Some of his observations on these materials are misleading and perhaps indicative of lack of familiarity.

While I remain critical of some of his findings, I will, for a long time to come, use his book for research purposes. Although I shall treat some of the earlier estimates gingerly, I cannot fail to regard the work as one of the fundamental statistical sources for the American economy.

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An International Comparison of National Products and the Purchasing Power of Currencies. A Study of the United States, the United Kingdom, France, Germany and Italy. By Milton Gilbert and Irving B. Kravis. Published by The Organisation for European Economic Co-operation, Paris. (Undated). 203 pp.

The wealth of nations forms a classical topic of economics, yet little empirical research has been undertaken on it. This comparison of the national products of the United States and the four largest western European countries is a pioneer effort insofar as it brings to bear on the subject the results of recent developments in the theory and practice of national accounting as well as in relevant statistical techniques.

The authors take the gross national products of the five countries for 1950, as far as possible on a comparable basis. The totals are divided into some forty categories of expenditure on consumption and investment, with adjustments to make the contents of each category comparable. Calculations are then made, by whatever method appears most feasible, to express the value of each category for each country in terms of the prices of the other countries. In order to keep the number of tables within limits, only binary comparisons are presented between the United States and each European country; the major results are also available for all countries in terms of prices averaged over the four European countries, as well as United States prices. Whenever alternative approaches were open, the authors have taken the one which tended to yield comparisons of "productivity" rather than of "welfare," in the sense in which these two terms were distinguished by Hicks.

Since the early days of national income measurement our interest has shifted from comparisons of totals to comparisons of components, and the study under review fully meets this interest. For each category of national expenditure per capita quantity comparisons are made and the purchasing-power equivalent of currencies is also computed.