CAPITAL CONSUMPTION ALLOWANCES

Capital consumption allowances are made up of three parts: depreciation, accidental damage, and capital outlays charged to current expense. Data on these three items are not very reliable, and the final series on capital consumption allowances must therefore be considered to be the least reliable of the four basic components of gross product originating in each industry.

Corporate depreciation figures are published in table VI–18, "Income and Output," but they were available only through 1956. Figures for 1957 and 1958 were obtained by extrapolating the 1956 figures by the relative movements of depreciation figures published in the Quarterly Financial Report of the Federal Trade Commission and the Securities and Exchange Commission. The estimates were then adjusted to conform to the totals for all manufacturing given in "Income and Output." Noncorporate depreciation for each industry was estimated by multiplying corporate depreciation by the ratio of noncorporate sales to corporate sales; these estimates were then adjusted to conform with published totals on noncorporate depreciation for all manufacturing.

Depreciation series were affected by the industry reclassification in 1948, and the 1947 estimates were obtained as described in the section on wages and salaries above.

Accidental damage to fixed capital is reported for all business in table V–1, "Income and Output." These figures were in turn obtained for all manufacturing by Schultze for the study, "Prices, Costs and Output in the Postwar Period" (Committee for Economic Development, Washington, D.C., 1960). The totals for all manufacturing were distributed to individual manufacturing industries by the percentage of net depreciable assets which each manufacturing industry had of the total net depreciable assets of all manufacturing. The figures for net depreciable assets were calculated from annual issues of the Statistics of Income, U.S. Treasury Department. Since the Statistics of Income were available only to 1956, and further, before 1954 depreciable assets were lumped with depletable assets, the figures on depreciable assets were not very reliable. The use of depreciable assets to determine the share of accidental damage is at best a very rough estimating method. These shortcomings suggest that the final accidental damage figures are not reliable. Fortunately, they are not a significantly large share of costs.

Capital outlays charged to current expense are also given in table V–1, "Income and Output," but only for all business. The totals for all manufacturing were obtained by Schultze for his broader study (see above), and these totals were distributed within manufacturing by using the percentage for each industry of total annual expenditures on new plant and equipment within manufacturing. The plant and equipment expenditures were provided by the Department of Commerce. The use of these percentages was a purely arbitrary way of distributing a total figure. The basic series published in "Income and Output" is known to be relatively poor. Hence the figures for the capital outlays charged to current expense were probably the least reliable data used in this study. The saving grace, however, is their small size and relative unimportance.

The sum of depreciation, accidental damage, and capital outlays charged to current expense is the capital consumption allowance. Since all the data involved in the estimates of these figures are reported on a company basis, the final series must be adjusted to put the figures on an establishment reporting basis. See appendix B for this step.

INDIRECT BUSINESS TAXES

Indirect business taxes levied within manufacturing consist of certain Federal excises, property taxes, and some other State and local taxes.

The Federal excises may be identified according to the type of product on which they are levied and the level at which they are levied. The source of information on these taxes was the Annual Report of the Secretary of the Treasury, 1958. Some excises such as liquor and tobacco, pose no problems and are assigned to the appropriate industry quite easily. Others such as excises on electric, gas, and oil appliances, must be distributed between industries, and to a large extent this was done on a personal judgment basis. Fiscal year data were shifted to calendar years by averaging 2 fiscal years. The later year was weighted three-fourths and the earlier year one-fourth because collections are reported with a lag of about one quarter after they are actually made.

Property tax totals are reported for all business in table III–2, "Income and Output." These totals were broken down for all manufacturing by Schultze for his broader study (see above). The distribution of the total for manufacturing