

between manufacturing industries was made by using the percentage which each industry owned of the total of certain types of assets for all manufacturing. The assets used for this purpose were the sum of net depreciable assets, net depletable assets, land, and one-half of total inventories. Inventories were included at only half value because a few States do not tax inventories at all and in several others inventories are taxed less heavily than other types of property. The asset figures were taken from Statistics of Income, with 1957 and 1958 figures obtained by graphic extrapolation.

The major part of other indirect taxes levied on manufacturing industries are general business taxes. A total series of these taxes for manufacturing was obtained by Schultze for his broader study (see above). Since many of these taxes are levied on the basis of gross income, the totals for manufacturing were distributed within manufacturing by using the percentage each industry had of total manufacturing sales. Sales data for this purpose came from table VI-17, "Income and Output," and from unpublished information provided by the Department of Commerce.

Since Federal excises apply to commodities rather than companies, no adjustment need be made for the reporting basis of the excises. Property taxes and other general taxes, however, will need to be adjusted to put them on an establishment reporting basis. See appendix B for this step.

INDEX OF PHYSICAL OUTPUT

The basic output data required are output series indexes for each industry. The four current dollar value series, when adjusted, will be data aggregated on an establishment basis, classified according to the 1954 Standard Industrial Classification Manual, and will represent value added within each industry. The output index must therefore be constructed on the basis of establishments classified according to the 1954 SIC, and each establishment's output should be weighted according to its value added. Appropriate output indexes have been made available by the Federal Reserve Board. Since they were constructed on a different basis from the Board's regularly published series, they were made available for calculation purposes, but not for subsequent publishing.

APPENDIX B

THE ADJUSTMENT OF AGGREGATES TO CONVERT FROM A COMPANY REPORTING BASIS TO AN ESTABLISHMENT REPORTING BASIS

In appendix A the sources and methods for obtaining the five basic series needed for the construction of the cost indexes were described. The data for two of these series and a component of a third are reported on a company basis while the remainder are based on establishment data. In order for the five series to be consistent with each other, an adjustment must be made in one group or the other. Conceptually establishment data are more desirable than company data because industry aggregates based on establishment data are closer to industries defined according to the production of a given set of commodities than are aggregates based on company data. Therefore the adjustments were made to shift the series based on company data to an establishment basis rather than vice versa.

Data reported on a company basis are all included in the industry to which the largest share of the company's output belongs. Thus data for establishments which should be classified in other industries will be included in the one industry to which the company is assigned. The problem, then, is to identify what part of a given industry aggregate belongs to establishments which should be classified in other industries, and to which industries this share should be transferred. The three series which need this correction are capital consumption allowances, net business income, and the property and general State and local tax component of indirect business taxes. Unfortunately, no information is available for any of these series on an establishment basis. Therefore some other variable which is correlated with these series and which is available on both an establishment and company basis must be used to correct the series to an establishment basis. The one set of data available for this purpose is employment. The U.S. Bureau of the Census published this type of employment data in U.S. Censuses of Business, Manufactures, and Mineral Industries: 1954, Bulletin CS-1, "Company Statistics," (Washington, D.C., 1958). Table 3 of this bulletin provides employment