Saving and Investment in the United States

Before turning to our methods of estimation, let us take a quick look at some rather rough, but revealing, figures about the capital formation of the United States in the year 1955, which will serve as a background for the analysis. Table 3 indicates the total gross investment of the major sectors of the economy, defined somewhat more broadly than in the standard national income accounts—though even the set of categories used here misses large amounts of investment by government. The startlingly large figure for households, $52 billion, is offset to a significant degree by the depreciation of "durables" which last only a relatively few years, and

TABLE 3. *Gross Capital Formation in the United States, 1955*

Sector	($ billion)	
Households:		
Residential construction	17	
Automobiles	17	
Other durables	18	52
Corporate business:		
Plant and equipment expenditures	25	
Inventory investment	4	
Other	1	30
Unincorporated business:		
Plant and equipment expenditures	4	4
Farms:		
Construction and equipment	4	4
Government:		
Federal construction	3	
State and local construction	9	12
Total		102

similarly for some of the other items. Yet it is clear that much investment occurs outside the business sectors; in fact each sector plays a significant part in the process of capital formation.

In the financing of these investments, there are significant depar-