A CONCEPTUALISATION:

A National *Supply* and Demand Account

From the Perspective of Proper Persons

For the United States of America in 2014

Principles Adopted in the Preparation of this Account

1. The purpose of production is consumption.
2. The true or real cost of production is consumption (that is, the cost involved in consuming the raw materials, labour, machinery, etc., necessary to bring any specific item of production into being).
3. The purpose of a national economy is the objective good of its people (i.e., to deliver the goods and services that they need to survive and flourish, while calling upon the least amount of labour and resource consumption). This excludes employment, corporate profits, or economic growth *per se* as social objectives in and of themselves.
4. Calculations of Gross Domestic Production are measures of human *activity*, not of results or outcomes from this activity considered in terms of human satisfaction.
5. That National Supply and Demand Accounts (the commercial equivalents of which are Profit and Loss Accounts), though nowhere in existence, are the best measure of a Nation's economic performance because they are constructed from the perspective of accessing the economic satisfaction of its national proper persons.
6. This account has been constructed with a view to ascertaining aggregate personal income available to enable personal access to the gross national consumer production available.
7. While all GDP ($17,393.1 billion in 2014) is ultimately paid for by consumers, either in prices or taxes, capital goods production has been disregarded in this account as its inclusion in consumer prices, in the form of capex and/or opex charges, will not take place until a later period of time.
8. GDP treats exports as increased production activity, while this account treats exports as a decrease in production availability.
9. It was resolved, as a principle, to proceed in spite of analytical difficulty. National accounts as currently available, while no doubt approximately accurate for their intended purpose, are careless in differentiating out proper person's receipts, for example, from "private" receipts. As a result the GDP component "Personal Interest Income" is given as $1,300.9 billion, while "Personal Interest Payments" are $254.2 billion and Mortgage Interest Payments are $387.0 billion for a total of $641.2 billion. This implies a clearly inaccurate situation where proper persons have loaned out over twice the sum of their debts (assuming equality of interest rates). Thankfully this conundrum was resolved by accessing http://www.bea.gov/iTable/iTableHtml.cfm?reqid=9&step=3&isuri=1&903=288, which enabled *imputed interest*, which is now included in current interest income, to be deducted. Imputed interest is not purchasing power available to consumers until a later period of time.
10. Notwithstanding the dearth of clear data specific to proper persons, and the difficulty in differentiating them from private corporate receipts in many instances, this account was persisted with, not because of its likelihood in achieving complete *accuracy*, but because of the absence of the desired information, and in the hope of advancing the realisation that the true measure of an

economy's performance in terms of human outcomes (see 3 above) is calculable (and probably only calculable) along the approximate lines used here. This account can at least provide a template which, with due refinements and corrections, and perhaps, one day, with Government generated data specifically geared to its purpose, will yield an account that will be able to provide us with more accurate information. Any and all assistance towards this end would be most welcome.

11. Once the various nations are committed to a full set of accounts aimed at understanding their economies from the point of view, of their proper person Nationals, the estimated unused but available potential capacity to produce desirable consumer goods, when, where and as required, could be an additional subsidiairy part of this account or be presented as part of a National Balance Sheet, and form part of the basis upon which the need for additional purchasing power (if any) would be calculated. In other words, Gross Consumer Production would identify actual consumer production in the period, but it either may also include in some subsection, or be associated with an additional account, for the purpose of quantifying the *unused capacity* to deliver desirable consumer production.

Section A **Aggregate Personal Income**		**US$ Billions**	
1.	Wages & Salaries https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01 Line 3.		7,476.3
2.	Supplements to Wages and Salaries (Employer contributions for Pensions, Insurance and Social Insurance etc.) https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01 Line 6.		1,777.1
3.	Personal Dividend Income https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01 Line 15	926.1	
	Less a 50% discount for corporate payees. (see point 3 in Sources, Section A, for notes)	463.1	463.0
4.	Personal Interest Income (monetary received interest only) Please see Notes and point 4 in Sources, Section A for explanations. http://www.bea.gov/iTable/iTableHtml.cfm?reqid=9&step=3&isuri=1&903=288		439.7
5.	Government Social Benefits to Persons https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01 Lines 17 to 23 and 25		
	Social Security	843.6	
	Medicare	601.1	
	Medicaid	487.4	
	Other	571.8	
	Total	2,494.9	
	Less contributions for social insurance	(1,154.9)	
	Net Receipts		1,340.0

6.	Less Individual Income Tax paid. www.usgovernmentrevenue.com/yearrev2014_0.html Federal 1,715.3 State 357.9 Local Government Income Taxes 37.8		
	Total Income Taxes	2,111.0	
7.	State and Local Government Fees and Charges www.usgovernmentrevenue.com/yearrev2014_0.html	453.8	
8.	* Total Appropriations from persons for government consumption		(2,564.8)
9.	Rental Income of Persons. Line 12 of Lhttps://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01	606.1	
	Plus adjustment of 387.0 (see Sources Section A, Point 9)	387.0	993.1
10.	Proprietors' Income (with inventory and capital consumption adjustments). $576.2 billion of this was not reported income but described as "Adjustments for misreporting on income tax returns." To the extent that inventory is unsold it does not deliver actual purchasing power so this figure is inflated. Line 9. https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01		1,337.7
11.	Household Debt Servicing Payments. 9.92451% of Disposable Personal Income of $12,163.4 B which includes Personal Interest Payments of $254.2 B and Mortgage Interest Payments of $387.0 billion, and FRED estimates of redemption of capital. https://fred.stlouisfed.org/series/DSPIC96 and https://fred.stlouisfed.org/series/TDSP		(1,207.1)
12.	Other Transfer Receipts from Business (net) Line 24 of https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01		45.5
Total Aggregate Personal Income (purchasing power available for current consumption)			**10,100.5**

*This amount of $2,564.8 billion is the amount deemed to be contributed directly by proper persons to US Governments. Since total direct government revenue for 2014 was $5,970.91, and payments by proper persons are not properly differentiated from those of other entities, it is reasonable (indeed conservative) to ascribe this amount to the taxing of proper persons.

Section B **Gross Consumer Production** and Imports available.		**US$ Billions**
1.	Personal Consumption Component of GDP (actual) Line 29 of $11,863.4, plus interest reversal adjustment of $251.6 at Line 30. See Section B Sources, item 1 https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01	12,115.0

2.	** Net Consumer Goods Imported http://wits.worldbank.org/CountryProfile/en/Country/USA/Year/2014/Summarytext		
	Imports of food and beverages, automotive products and other consumer items	823.5	
	Less exports of same	(437.1)	386.4
Gross Consumer Production			**12,501.4**
** These net imports increase consumer product available. Detailed data on the import/export of consumer related *services* has not been found or is unavailable.			

Notes

Evidence suggests that certain inaccuracies are inherent in this account. For example, the discount applied to dividend incomes is apparently understated. Similarly, inventory increases were included as income in Proprietors' Income though unavailable in 2014 as actual proper person purchasing power (PPPP). For other reasons which will become apparent below, we are confident that the shortfall of purchasing power to meet the available consumer production is understated. Nevertheless, as its stands, the facts that a gap a) exists and b) is substantially large have been established beyond any reasonable doubt.

If this were a corporate account, the difference between the Gross Consumer Production sold or sellable (revenue), i.e., $12,501.4 billion, and the net funding of incomes in the process of producing it (expenditures), i.e., $10,100.5 billion, would be considered a profit (Profit = Revenue – Expenses) and form the basis of issuing a dividend.

This "profit" of $2,400.9 billion in a population of 318.9 million people in 2014 amounted to $7,528.69 per person, or $30,114.75 per family of four persons. As no attempt is made to distribute this as a dividend, it only becomes available for consumption by increasing the money supply through increased indebtedness, distributed by way of credit card and other consumer debt, by persons surrendering assets for a monetary outcome, and/or by government and corporate debt increases that augment consumer buying power. The purpose of quantitative easing is to assist this lending process.

The above account includes a reduction of purchasing power for debt repayments. These payments (of $1,207.1 billion) contribute nothing to current consumption, for they are the repayment of debts incurred from previous consumption. In data cited later each category of debt has increased. This implies that all redemption of outstanding debts was re-borrowed to fund consumption. As only personal interest payments of $254.2 B. and mortgage interest of $387.0 B. ($641.2 B. in all) were identified, the redemption of possibly as much as $565.9 B. was re-borrowed to fund consumption.

The gross imbalance evident in the above account is only overcome by large annual increases in indebtedness. As a part of this, US Federal Government debt increased by $1,086 billion in 2014 (from $16,738 B to $17,824 B, 30th Sept '13 to '14). But this is only a very small part of

total indebtedness in the USA. There are also State and Local Government debts, and corporate debts. While this new debt did not directly contribute to PPPP (except through such as funding wages, which is already counted), it did fund government and corporate activity without immediate claims upon proper persons which would otherwise have been necessary. See https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm

Increases in private debt do of course directly reduce the dearth of PPPP.

Anomalies abound. FRED tells us that that *Real Disposable Personal Income* in December 2014 was $12,163.4 billion https://fred.stlouisfed.org/series/DSPIC96 and this item is defined as total income less income taxes which are $1,715.3 billion. So the total gross personal income is $12,163.4 plus $1,715.3, which equals $13,878.7 billion, BUT WHERE ARE THEY? What they appear to be doing is assuming that all GDP is "personal" income. They take off corporate spending, which was 16.5% of GDP in 2016. If this was the percentage for 2014, it would be equal to $2,869.8 billion of the 2014 GDP total of $17,393.1 https://tradingeconomics.com/united-states/gdp This leaves $14,523.3; a very close approximation of DPI plus income tax. With the tax out we are back to a figure of $12,808.0. This is between their *Real DPI* of $12,163.4 and the DPI of $13,022.7 on line 27 of the link: https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01 (the unreal DPI?).

To say it in another way, collecting and collating data regarding aggregate activity (the GDP) is permissive of generalities which this account is not. It has generated categories such as Disposable Personal Income which is neither disposable, nor personal, nor income. The interest income is not disposable as most of it is imputed to funds that cannot now be accessed. The majority of personal dividend income is not personal either, since, although it is included here, it has flowed to corporations. These, and there are other examples too, are not income either. It is future income perhaps, but is counted as current. More of this is explained under Sources later.

Perhaps Samuel Johnson would have said that "Apart from being indisposable, impersonal and largely accounting non-income, your *Disposable Personal Income Account* is admiral in all other respects."

FRED are not adding up personal income at all, but assuming income which cannot be found to exist by adding its component parts, as the official statistics used in the calculation of Aggregate Personal Income make plain. Currently Disposable Personal Income is a construction of creative accounting, and is not the sum of income actually received into personal pockets as actual purchasing power less income tax at all.

These anomalous figures are due to the fact that "gross turnover" data are unsuited to our purpose.

Addressing an Imbalance

The filling or compensating for an imbalance between Aggregate Personal Income and Gross Consumer Product of these proportions requires an explanation. The imbalance itself amounts to $7,528.69 per American, (yes, for every man, woman, and child) and to $30,114.76 per family of four, and to $2,149.3 billion in all (and even this is understated).

There are two main factors which might allow for an income of X to consume a product equal to X+Y. These are an increase in personal debt and the liquidation of personal assets.

The Liquidation of Personal Assets

If a Government using part of its deficit buys the property of a retiring farmer to build an airport (or any other public facility), this deficit increase in Government debt funds personal consumption.

Likewise, if a widow whose family has grown up decides to sell or downsize her residence by selling it to a bank to fund her consumption in retirement, there would, if the residence was 30 years old or so, be no new production involved, but additional consumer purchasing power is available.

These types of sales where proper persons relinquish assets to say, governments or corporations, mean that personal consumption is funded by government and corporate borrowing (or use of reserves) to buy private assets. While this type of funding of personal consumption has never been properly researched and quantified by statistical authorities it is undoubtedly very significant.

The progressive selling down of assets to enable personal consumption tends to disinherit the next generation and explains, at least in part, the drift away from private home ownership. The root cause is the disparity disclosed in the above accounts, the selling of private assets being a consequential attempt to address it and the impoverishment of proper persons *vis-a-vis* corporations and governments being the direct outcome of the refusal to pay a national dividend to end the disparity.

As another way of saying it, an insufficiency of purchasing power in the hands of the consuming public may be funded (under present conventions) by either increasing consumer debt or by reducing the personal assets of the consumers.

In a situation where corporations can readily borrow funds at rates of interest which allow assets normally held by proper persons to be profitably acquired (albeit at moderate rates of profit), and where proper persons are continually thwarted from consuming due to a purchasing-power-ratio-to-product deficiency, one may anticipate a drift, perhaps small, but of course potentially remorseless, of assets to the top 10% (*via* corporate shares ownership) from the bottom 90% of asset holders.

Many studies, some elaborately promoted and acclaimed, assert as much. Thomas Piketty's *Capital in the Twenty-First Century* has drawn attention to this process, though, without a proper set of National Accounts, he could hardly diagnose the cause with precision. A shortage of personal purchasing power is not part of his diagnosis of causes. Were personal purchasing power more adequate, could his diagnosis of "a lack of growth" be sustained, and might the progressive surrender of personal assets by 90% of the population be addressed?

With the widely anticipated progressive displacement of human labour by technology, the deficiency of personal purchasing power may be expected to quicken, deepen and strengthen.

The Increase in Personal Debt

Personal debt comes in many forms. The most significant probably being home mortgages, credit card debts and personal loans. Accounts payable to landlords, local businesses and utilities play a part, as do hire purchase, time payment and lay-by contracts. Buy-now-and-pay-later arrangements are readily available for pretty much all products, certainly all consumer-durable products.

Selling the second vehicle to pay down the credit card, and such like stratagems, will long mask the rise of consumer debt, though the decline of the net worth of 90% of proper persons will become increasingly evident.

However, to the extent that statistical data has been collated and is available to us, some debt increases of relevance to funding the apparent deficiency in purchasing power in 2014 are listed below:

All Sectors; Debt Securities and Loans = **$2,278.81** billion increase in 2014.
https://fred.stlouisfed.org/series/TCMDO This approximates the shortfall in purchasing power shown in this account of $2,400.9 billion, though probably coincidentally.

Domestic Nonfinancial Sectors = **$1,753.4** billion increase during 2014.
https://fred.stlouisfed.org/series/TCMDO Does the difference between this figure and the All Sectors figure above of $525.41, imply a "hollowing out" of the Domestic Sector (read proper persons' assets?) through disposal of assets to other sectors of half a trillion dollars in 2014?

Bear in mind also that $565.9, as explained in the 4th paragraph under "Notes", was re-borrowed to fund 2014 consumption. An additional $338 billion in identifiable personal debt increases, as listed below, is also part of the equation. These two figures total $903.9 B

Some Indebtedness increases in 2014		**$ billions**
1.	Federal Government https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm	1,085.9
2.	State and Local Government Deficits minus	(35.0)
3.	Increases in Corporate Indebtedness	310.1
4.	Increases in Private Home Mortgage Debt	120.0
5.	Increased Credit Card Indebtedness	31.0
6.	Increased Auto Loans	78.0
7.	Increased Student Loans	99.0
8.	Other Credit	10.0
Total Increase in debt itemised here		**1,699.0**

A Conclusion

It would be a mistake to attempt to turn this account into a philosophical thesis, but the reluctance to consider the economy from the viewpoint of its shareholders, as it were, and rather to simply measure activity, must spring, one would think, from some little examined attitudes of mind, and presumably from well-worn emotional footpaths.

So perhaps there really is a case for seeing this account as addressing itself to a philosophical cleavage existent in society. On the one hand, there are those who primarily view themselves and each other as proper persons, and society as an organic whole, no matter their professional roles, exalted or not.

On the other, there are those entrapped in their self-identification as corporate-persons, as soldiers in the puppet mastery of organising the human organism in the service of abstract ideals, undoubtedly laudable and always convincing! These, and their legion of ambitious apprentices, see the world in needful want of artificial assistance. The twain doesn't meet, though persons, who cannot escape being proper persons of course, can change their minds.

Many of us will play both roles at different times of our lives, and some will be proper persons in the evenings with the family, and corporate persons serving abstract objects during working hours. It is likely that leaving this conundrum unexamined is responsible for more damage than wantonly making the wrong choices. Is there a case, at least occasionally, for submitting all things to the bar of "personalism" (the viewpoint that proper persons, their well-being and freedom, are the end of all social arrangement)?

It may be subtle, but perhaps this conundrum is a rather large issue in human affairs?

Control of narrative predetermines policy adopted and delivers later outcomes. National accounts are the narrative of societies' finance/economic policy, the story which informs action and transforms our future. It is narratives from the past which have delivered the present.

The implications of the above are far-reaching. They bear not only upon personal welfare, but also upon such geopolitical considerations as to whether which of the two forces, one for or one against a unipolar world, will prevail.

What emerges from the above accounts is that no Politician or Economist on earth understands any National Economy in any adequate manner, and that this is provably so. They do not understand because they cannot understand when the sums are never done. All that National Governments produce are estimates of what might happen next year (budgeted possible receipts and expenditure), and a statement of their gross turnover last year (GDP).

Inaccuracies, unknowables and imponderables associated with this account, rather than discrediting it, reinforce the case for nations employing their resources to produce a complete and proper account of this nature.

Imagine a large Public Company which informed its public by saying only "We think this will happen next year, and gross sales last year totalled $XYZ, and that is all we have to say about our Company's performance."

Would not economic results in terms of gain or loss in production or proper persons' income, or the increase or decrease of Company/National Assets *being left unannounced*, fit all Directors for censure and render all politicians culpable?

Is there a case for Governments volunteering to do accounts for their entity, i.e. the nation, to the standard which they compel upon those corporate and other entities which are subject to them?

Sources

Section A

1. $7,476.3 B Wages and Salaries.
   https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01 Line 3.

2. $1,777.1 B Supplements to Wages and Salaries.
   It should be noted that the figure of $1,777.1 billion was of payments made into pension and insurance funds by employers, and is not proper persons' income. Only payments out are properly considered as income, but these were not discovered. Actual receipts are less by the cost of administration, which included wages already counted in #1 above. This is therefore an inflated figure. We have claimed no discount for it, though one is due.
   https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01

3. $463.0 B Personal Dividend Income. As is clear from *A Guide to the National Income and Product Accounts of the United States* currently distributed (published circa 2005), *Personal Dividend Income* is calculated under corporate profits (with adjustments) in Account 2, less dividends received by Government in Account 4. It is in fact all dividends distributed other than to Government. Line 15 gives Personal Dividend Income as $926.1 billion at https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01

   The Research Analyst of Fact Set Research Systems Inc. provided a spread sheet on 28th Oct. 2015 of *the Company's shares outstanding held by individuals (*which included partnerships of individuals) for each of the 480 Companies then included in the Standard and Poor's 500 Index. In only 150 of these Companies did proper persons hold above 1% of their shares, and they only held 2.17% of S & P 500 shares overall. In 2015 2.17% of S & P 500 dividends of $415.4 billion, amounted to just $9.01 billion.
   The 50% discount of the $926.1 billion of total "personal" dividends is obviously low in light of the above, but the point is made.

4. $439.7 B Personal Interest Income.
   http://www.bea.gov/iTable/iTableHtml.cfm?reqid=9&step=3&isuri=1&903=288
   This document (NIPA Tables 2014) consists of 108 lines identified as Table 7.11 which quantifies "Interest Paid and Received by Sector and Legal Form of Organisation". The first 38 lines are headed *Monetary Interest* both *Paid* (lines 1 to 24) and *Received* (lines 25 to 38). Lines 39 to 97 are headed *Imputed Interest* (lines 39 to 75) and *Borrower Services Imputed Interest* (76 to 97). Lines 98 to 108 are headed *Addenda.*

   Imputed interest has its place when determining gross activity in an economy, but is irrelevant to purchasing power existent at this time. For example a young man's Superannuation Fund may be imputed as having earned $500 this year in interest, but it may not be available as **proper person purchasing power** (PPPP) for another 40 years.

   On line 108 *Personal interest income* was given as $1,300.9 billion, being the sum of lines 32, 66, and 71. Line 32 was Monetary Interest Received by *Persons,* (defined in footnote 5 as including "nonfinancial sole proprietorships and partnerships") was given as $439.7 billion. Lines 66 and 71 were both *Imputed Interest Received.* Line 66 was by *Persons* of $860.1 billion, and line 71 was by *Nonprofit Institutions* and of $1.1 billion.

   Clearly, for the purposes of the Supply and Demand Account, the PPPP actually received in 2014 was $439.7 in total.

5. $1,340.0 B Government Social Benefits to Persons.
   https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01 Lines 17 to 23 and 25. Note that here contributions to social insurance are listed at $1,154.9 B while they are $1,730.0 B at www.usgovernmentrevenue.com/yearrev2014_0.html Only a $575.1 billion difference? We choose to use the smaller, which avoided any charge of exaggerating the PPPP deficiency. The Federal Government contribution to the gross total of $2,494.9 B was $1,905.1. See Q4 2014: https://fred.stlouisfed.org/series/B087RC1Q027SBEA

6. $2,111.0 B Individual Income Tax Paid.
   www.usgovernmentrevenue.com/yearrev2014_0.html

7. $453.8 B Other Taxes (Fees and Charges). Proper persons cannot retain their ability to consume to the extent that they fund the consumption of others. GDP calculations for 2014 ascribe $3,152 billion to Government spending. Total Direct Taxes were $5,983 (now adjusted to $6,053.0) billion. This figure for additional taxes of $453.8 billion in fees and charges does ***not***, when added to income taxes of $2,111 billion, to give $2,564.8, necessarily equal the total consumption appropriated from persons for Government. www.usgovernmentrevenue.com/yearrev2014_0.html

8. ($2,564.8 B) Appropriations from individuals to fund Government Consumption. See 7 above.

9. $993.1 B Rental income of Persons. This item is comprised of income from real property, including the imputed rent of owner occupiers (with capital consumption adjustments) and also royalties from patents, copyrights and natural resources. This description is from the 2005 Guide to NIPAs. It also informs that "*Personal Interest Payments* consist of all interest paid by individuals except mortgage interest, which is reflected in rental income of persons." Mortgage interest in 2014 was $387.0 billion at https://www.bea.gov/national/supplementary.htm
Rental income as per line 12 of the link given in Number 10 below is $606.1 billion. It has been adjusted upwards by $387.0 billion as this mortgage interest is shown as a negative figure under Point 11 in Aggregate Personal Income.
A considerable portion of rental income goes to corporations, and is therefore not to this extent income to proper persons. It is precariously assumed that the exactitude of distinguishing the various recipients here is greater than it is with dividend receipts.

It is worthy of observation that while much (even most) of the amount here was only imputed as income and not actually received as money, all of the interest and redemption associated with the provision of housing (see Point 11) was payable in money. Another overstatement of PPPP?

10. $1,337.7 B Proprietors' Income. This item is described as "the current-production income of sole proprietors and partnerships and tax-exempt cooperatives." It excludes imputed rental value, dividends, interest and paid rents received. It also excludes any wages or salaries proprietors pay to themselves as these are also recorded elsewhere. It records in some measure production in the form of inventories and capital production in excess of capital consumption to give the positive figure of $1,337.7 billion. Only inventory actually sold during the period represents actual purchasing power in the hands of consumers, so as a measure of this, a discount (though unmeasured and not included) for increased inventory is warranted. See Line 9 of the link:
https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01

This figure includes income of $576.2 billion which was never reported as income. It is described as an "adjustment for misreporting on income tax returns". Proprietors understated their income by 43%! So this is proved by what?
http://www.bea.gov/iTable/iTableHtml.cfm?reqid=9&step=3&isuri=1&903=291

11. ($1,207.1 B) Household Debt Servicing Payments. Payments of debt servicing fees are payments incurred for previous consumption, and they detract from the capacity to pay for current consumer production. They detract from Aggregate Consumer Income in the current period. The sources of Disposable Personal Income of $12,163.4 billion, and the percentage of this which was used in servicing household debt of 9.92451 % are both for 2014 and from FRED, and are given at https://fred.stlouisfed.org/series/DSPIC96 and https://fred.stlouisfed.org/series/TDSP Please note as a trifling anomaly that the DPI used here of $12,163.4 (December 2014) is a full $859.3 billion less than the $13,022.7 given at line 27 of:

https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01
We may have understated debt repayments by about $859 billion, depending upon which DPI they are referring to here. No specific dollar figure is given for HDSP. It is always a % of something else.
In the BEA's GDP calculations interest paid by proper persons on their mortgages is offset against imputed rental value of owner-occupiers, and is expressed in Rental Income of Persons (see Point 9 above). This has been reversed as the Debt Servicing Payments figure of $1,207.1 billion includes the mortgage interest of $387.0 billion.

12. $45.5 B Other Transfers from Business. Link as per Point 10 above, line 24.

Section B

1. $12,501.4 B The Personal Consumption Component of GDP. This is given at https://fred.stlouisfed.org/release/tables?rid=53&eid=42509&od=2014-01-01
The interest adjustment amount of $251.6 billion has been deducted as part of Household Debt Servicing Payments in Section A, so has been returned to the $11,863.4 billion designated as "Personal Consumption Expenditures" on Line 29 of the above link. We are aware of other (for our purposes) anomalous aspects of PC Expenditures.

One is that $726 billion was deducted in the process of reducing DPI to PCE. This was designated "personal saving" although it also includes saving of "life insurance carriers, private noninsured welfare funds and pension plans, publicly administered employee retirement plans, and private trust funds" according to the NIPA Guide page 12. We have had no means of determining which were the savings of whom, so have left it unadjusted.

The adjustments we have made to the figures given in the 2014 GDP which tend to increase the deficiency of purchasing power available for proper persons to consume the Personal Consumption stated as taking place in that GDP amount to $3,128.7 billion. These adjustments in billions are $568.5 extra debt repayments included, $861.2 imputed interest receipts removed, $463.1 discounted from dividend receipts, $849.5 more taxes deducted by including State and Local direct taxes, and $386.4 additional products added to supply as net imports. Nevertheless though this diminished relative demand by $3,128.7 billion, the shortfall of demand to supply in this account is only $2,400.9 billion. No adjustments have been made for other "leakages" of $181.8 billion at lines 32 & 33.

It may be timely to remind ourselves that the whole of GDP ($17,393.1 billion in 2014) must ultimately be paid for by Proper Persons in either future taxes or prices. GDP does not account, for instance, unpaid domestic services and child care by parents as "productive", but confines itself to paid work. Therefore every dollar of GDP is a dollar added to costs, and all must be paid in either prices or taxes.

Our inability to pay for currently available consumer production out of our incomes, which is evidenced by this account, renders the meeting of all GDP costs by incomes

utterly impossible. The issue of a National Dividend which is not funded by either debt or taxes, probably offers the only option this side of some form of social tyranny.

2. $386.4 B Net Consumer Goods Imported. http://wits.worldbank.org/CountryProfile/en/Country/USA/Year/2014/Summarytext This is for the year 2014. Net imports increase product available. Detailed data on the import/export of consumer related *services* has not been found or is unavailable.

Sources of Debt Statistics

1. $1,085.9 B Federal Government Debt Increase. https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm
2. State and Local Government Deficits. Debt here contracting by $35.0 billion https://fred.stlouisfed.org/series/TCMDO
3. $310.1 B Increases in Corporate Indebtedness. Fourth quarter 2013 to 4th Q 2014 ($4,811.5 B to $5,121.6 billion) https://fred.stlouisfed.org/series/NCBDBIQ027S
4. $120.0 B Increases in Home Mortgage Debt. From nerdwallet.com email on 14/4/16. Now contradicted at the link https://fred.stlouisfed.org/categories/33445?tg=gen as All Holders = $161.0 B and Individuals and Other Holders = $58.6 billion.
5. (5-8) Our Account here totals $218.1 billion which approximates the 2014 Household Consumer Credit increase of $221.7 B at https://fred.stlouisfed.org/series/CCLBSHNO Also the extract below from the Nerdwallet email mentioned above may be of interest.

Total debt owed by U.S. consumers

	Q4 2015	Q4 2014	Q4 2013
Credit cards	$733 billion	$700 billion	$683 billion
Mortgages	$8.25 trillion	$8.17 trillion	$8.05 trillion
Auto loans	$1.06 trillion	$955 billion	$863 billion
Student loans	$1.23 trillion	$1.16 trillion	$1.08 trillion
Any type of debt	$12.12 trillion	$11.83 trillion	$11.52 trillion

Other Sources

Disposable personal income data is at https://research.stlouisfed.org/fred2/series/DSPI and also (Yes, they are contradictory) at https://fred.stlouisfed.org/series/DSPIC96

This account should be seen as a "still photograph" of data taken in 2016 with adjustments incorporated up to May, 2017 only.

National Balance Sheet

Of the Commonwealth of Australia, 2012

Most of the data used in this account is taken from The Australian Bureau of Statistics' Annual Year Book of 2012. The pages of the source and the basis of any necessary extrapolation are given in the footnotes. This Year Book may be viewed by Google searching http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/LookupAttach/1301.0Publication24.05.121/$file/13010_2012.pdf

Assets		**See Note**	**AU$ (Billions)**
Dwellings		**Note 1**	3,696.0
Non-dwelling constructions (As given on page 792)			1,727.1
Machinery and Equipment (from page 792)			552.3
Weapons Systems (from page 792)			24.2
Cultivated Biological Resources (from page 792)			26.5
Intellectual Property Products (from page 792)			182.5
Research and Development (from page 792)			83.5
Mineral and Petroleum exploration (from page 792)			53.6
Computer Software (from page 792)			41.6
Artistic Originals (from page 792)			3.7
Inventories:			
Private non-farm	138.1		
Farm	12.7		
Public Authorities	2.4		
Livestock	4.7		
Plantation Standing Timber	9.6		
Total (all from page 792)			167.5
Land (from page 792)			3,785.0
Subsoil Assets (from page 792)			624.3
Native Standing Timber (from page 792)			1.7
Spectrum Availability and Allocation (a communication asset from page 792)			11.2
Permission to use Natural Resources (outside of Australia?) (from page 792)			2.1
Financial Assets with the rest of the World:			
Monetary Gold and Statutory Deposit Reserves	8.2		

Currency and Deposits	103.0		
Securities other than Shares	252.6		
Loans and Placements	149.8		
Shares and other Equity	628.5		
Insurance Technical Reserves	6.9		
Other Accounts Receivable	104.0		
Total (from page 792)			1,253.0
Consumer Durables (from page 792)			269.4
Australian Investments Abroad (from page 792)			387.3
Human Resources (Education and Training)		**Note 2**	2,160.0
Goodwill		**Note 3**	1.0
Imports (from page 813)		**Note 4**	214.2
Total National Assets			**11,571.7**

Liabilities

(liabilities reflect all claims against the assets listed in a balance sheet)

		See Note	AU$ (Billions)
Financial Liabilities with the rest of the World:			
Monetary Gold and Statutory Deposit Reserves	4.6		
Currency and Deposits	125.1		
Securities other than Shares	909.6		
Loans and Placements	229.1		
Shares and other Equity	734.6		
Insurance Technical Reserves	2.2		
Other Accounts Payable	29.0		
Total (from page 792)			2,032.2
Foreign Investments in Australia			510.2
Exports		**Note 5**	247.7
The Issued Money Supply (M3 less "term" deposits) (from Reserve Bank of Aust. D3 Monetary Aggregates for Dec. 2012)		**Note 6**	805.6
Total National Liabilities			**3,595.7**
Net Economic Residual Value of Australia if all Liabilities were met			**7,976.0**

Notes to the accounts

1. The number of private dwellings is given on page 362 as 8.4 million. The percentage of owner occupied homes is stated as 69% on page 364, which are 5.8 million dwellings. On page 372 the "median estimated value of all owner occupied dwellings in 2009-10" is $440,000, which values them at $2,552 billion. It is admitted that a median estimated value is not an average value but the latter is not given.

   The 31% of dwellings not owner occupied (2.6 million) may well have a lower average value. Discounting their value down to $330,000 adds another $1,144 billion to dwellings value, for a total of $3,696 billion.

   The Year Books' value of dwellings as given on page 792 (in an incomplete National Balance Sheet) is given as only $1,567.1 billion which implies an average value of $186,559. Calculated on historic costs it does not reflect current appreciated values. Only in such locations as remote mining towns with closed mines and almost no employment opportunities, are any homes ever offered at such low prices. This value has been rejected as misrepresentative.

2. Australia ascribes great value to education with total Government, private and household expenditure in 2010-11 being $94 billion. $14.8 billion of this was paid for by foreign students, with net expenditure on Australian nationals being $79.2 billion (from pages 452 and 454).

   26% of 25 to 64 year olds have a Bachelor degree or higher, while 70% have matriculated (reached a level where they can attend University if they so wish).

   Human resources appreciate in two predominant ways. One is by formal "schooling" type education, and the other is experiential. Those who have finished (pretty much) with formal training and have been practicing mechanics, medicine or bricklaying etc. for ten years are better practitioners for it. Here is an appreciation beyond initial investment. Conversely, those approaching retirement may be seen as having an actuarial depreciation as they approach the end of practicing.

   The working life of Australians is approximately 40 years. We have taken the expenditure on "schooling" for a "working half-life", which is 20 years of expenditure, and appreciated it by 50% for experiential increments, and depreciated it by 10% for actuarial depreciation. So the sums say $79.2 billion, multiplied by 20, appreciated by 50% and depreciated by 10%. That's $79.2 Billion x by 20 (years of expenditure) x by 1.5 (for experiential appreciation), and discounted by 10.0% (divided by 1.1) for actuarial losses = $2,160 billion.

   Statisticians may demur hopefully, as their expertise would be brought to bear upon the matter, however in a case when Human Resources are not acknowledged in a National Balance Sheet at all, any agreed value can only be a plus.

3. If a Nation is in the midst of a civil war, order is abandoned, terrorism abounds, contracts are unenforceable, and destruction is widespread, it cannot be said to have much goodwill value. On the other hand if its relations with its neighbours are rather amicable, civil order is maintained, it is respected for defending other Nation's rights, the rule of law prevails,

humanitarian aid is a policy, and others have little difficulty in relating to this Nation in their several different ways, this, surely, is a measure of goodwill.

The value given above is nominal. Its inclusion is an assertion that goodwill is a legitimate item in any National Balance Sheet as it represents a true value, though one for which there is no current "best practice evaluation procedure". All commercial ventures value goodwill, perhaps nations may do likewise? Others are the arbiters of good will towards us, for when you buy a new house, a considerable measure of your happiness is attributable to those in approximation. Were it not for an entrenched reticence to access "imponderable values", the ABS might have considered goodwill as an asset. A wider debate is required here.

4. On page 813 of the ABS Year Book of 2012 the "total imports of goods on a merchandise trade basis" are given there as $214.2 billion. These are assets entering the country. Services imported and exported have not been included, as they are not identified, and Financial Assets and Liabilities and other accessed assets may already reflect them.
5. Exports are national assets transferred to foreign nationals. The value attributed is from page 813. Again, services exported are omitted for the same reason as are imported services.
6. The Australian money supply in existence is an internal claim upon products and assets available within Australia. While little appreciated, it is something like the amount of I.O.U's which have been issued as internal claims upon Australian production and assets in the process of organising production. It is the largest liability that Australia has, as foreign financial liabilities ($2,032.2 billion) have to be offset against foreign financial assets ($1,253.0 billion), leaving only a net liability to the rest of the World of $779.2 billion.

   No currently available calculation of the money supply, neither M1, M3 or Broad Money is an accurate measure of the current outstanding claims upon our goods and services.

In private correspondence with the Reserve Bank of Australia of 7th September 2017, the question "What part ….of deposits contained in M3 are currently available for immediate current expenditure?" was answered with "RBA Statistical Table D3 provides some data which may be used to generate a rough estimate i.e. M3 minus term deposits and certificates of deposit." This suggestion has been followed and applied to data provided at their suggestion from www.rba.gov.au/statistics/tables/xls/d03hist.xls M3 of $1,517.9 billion at the end of 2012 has been reduced by term deposits and certificates of deposit of $540.6 and $171.7 billion respectively.

When taxes are paid to government, the government has a claim upon our goods and services, but government and government's instrumentalities' deposits in Banks, Building Societies and Credit Unions are not counted in M1 or M3. No adjustment to reflect Government's money claims upon the economy have been included in this account.

A fully accurate measure of the purchasing power available from all sources to make claims upon a Nation's goods and services will await, it seems, an intention on the part of Governments to join the common practice of all other large entities, and the application of their will to producing a full, appropriate and accurate set of accounts.

Why a National Balance Sheet?

All corporations produce Balance Sheets and are mandatorily compelled to do so by law. No Corporate Executive or investor would consider himself informed or equipped to make responsible decisions in their absence. The only large entities which spurn to properly and comprehensively do so in accordance with best commercial practice are National Governments, though they act in trust for the interests of all their millions of nationals.

Annual Budgets and measures of gross activity (such as Gross Domestic Product calculations) are inadequate, by themselves, for the purposes of informing those in national decision making authority. GDP is a measure only of activity.

Political practitioners would seem to discount the acquisition of data appropriate to all other large corporate undertakings. The economy is neither a debating theatre, a "one-ups-man ship" trivial opportunity to denigrate political opponents, nor a realm in which irresponsibility is benign. A little attention to detail may be appropriate if the common good for proper real persons is to be the object of administrative decisions.

One of the consequences of incomplete comprehension by those in authority occurs in import/export policy. When our assets in the form of products are yielded up to others two things happen, one is that we have less product available internally. The other impact is financial. We have an asset in the form of foreign currency or reserves, however the exporting company must be paid, so Australian money is issued to pay it, which adds an equal amount to our internal liabilities.

In giving up an asset, either by way of selling exports or other assets to foreign parties, we acquire both an asset (foreign exchange) and an equal liability in the form of an increase in M3 (internal money claims upon our economy). One asset less, one asset more, and one liability more, all of the same value, has a negative impact on a national balance sheet to the same value. We are poorer to the full value of the transaction. An absence of national balance sheets has precluded an appreciation of this by both Governments and the public.

Of course importing has the reverse effect. We acquire an asset (the product), we lose an asset (the foreign exchange) and we lose a liability by reducing M3. We are richer (in asset terms) by the amount of the transaction.

If the purpose of exporting is importing, and this is done, it changes perspectives and usually reflects an exchange of products which can be advantageously produced in a country, for those which are more difficult or impossible for it to produce.

A trade surplus of exports can only be seen as "favourable" while the internal money supply is considered an asset. It isn't. If more purchasing power is required internally there are better ways of doing it. It is, after all, only a matter of creating more liabilities against ourselves. Individuals can do this by issuing I.O.U's; governments do it, mostly through their Chartered Banks, by creating money.

With this knowledge, international competition for each other's markets, which has tended towards war historically, might relax into an exchange of surpluses to our mutual benefit.

Historical cases of rampant inflation (Germany between the wars; Zimbabwe around the early 2,000s) are chronic cases of excess liabilities.

A net asset base of $7,976.0 billion in a population of 23 million, equates to $346,782.60 each. This is a credit worthy situation for Australians, and if a deficiency of purchasing power to consume the available and desired goods and services is evident, it is one against which an increase in the money supply may be properly issued, up to the extent of the deficiency.

Limitations

A National Balance Sheet identifies and quantifies a nation's credit worthiness. To do this honestly it must list all of a Nation's assets (items of advantage) and all claims outstanding against those assets at that time. It does not, and cannot, be made to identify the amount of credit which should be issued to finance productive endeavours, though an upper theoretical limit to this is certainly indicated.

Since only a part of assets are on the market and for sale at any time, increasing credit to the full extent of theoretical assets would be wildly inflationary and destructive of public confidence. The optimum issue of credit for production is to be discovered by other means, though the context of increased credit for production is certainly defined.

All bank loans add to the money supply and are issued against the National Balance Sheet, even when a Nation neglects to do one.

The greatest contribution to public understanding from National Balance Sheets may well not be in their bottom lines, but rather in bringing understanding to what, in fact, constitutes a national asset or a liability. Money, which is always a personal asset, is also always a claim upon national assets, and any such claims are liabilities. This simple realisation may well become a point of departure from all current economic conceptualisations.