Review: [untitled]
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Comparative National Balance Sheets: A Study of Twenty Countries, 1688-1978. by Raymond W. Goldsmith
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in more detailed assumptions where necessary (the form of the utility function, the sense in which the budget constraint must hold, etc.). As a step towards accounting for the characteristics of the data, he complicates an already complicated stochastic control model by allowing for unobservable individual specific heterogeneity, but then eschews obtaining a complete solution for the model in favor of an approximation on the stochastic process generating the marginal utility of wealth. This allows him to form an estimating equation which interprets estimates of the intertemporal substitution elasticity from a variety of different types of data. There has been more work on structural econometric modeling of dynamic decisions since MaCurdy's paper, but we are still very much at a stage where results depend on precise functional form assumptions, and where many of the disturbance processes that we think are important cannot be incorporated.

A different attack on this problem is provided in an innovative paper by Halina Frydman and Burton Singer, "Assessing Qualitative Features of Longitudinal Data." They are able to use De Finetti's discussion of exchangeability and partial exchangeability to construct simple tests for the consistency of data with a broad class of discrete choice models—a class that is not sensitive to the functional form of the disturbance and unobservable distributions. They also provide a distribution free test for compatibility of first passage time data with a class of stochastic differential equations that can be generated from a continuous time specification of utility dynamics. This paper pushes us away from functional form dependence in the interface between economic theory and certain types of structural econometric models. There is still, however, a large gap between obtaining test statistics for the relevance of a class of models, and obtaining meaningful estimates for the responses of interest.

I have only covered the articles in the Econometric Studies section, and just the central points in them. This is due solely to a combination of space limitations, and my perception of the *Journal's* readership. Actually this book ought to be a welcome addition to the libraries of most social scientists and applied statisticians.

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220 ECONOMIC AND SOCIAL STATISTICAL DATA AND ANALYSIS

Comparative national balance sheets: A study of twenty countries, 1688–1978. By RAYMOND W. GOLDSMITH. Chicago and London: University of Chicago Press, 1985. Pp. xvii, 353. ISBN 0–226–30153–2. *JEL 87–0108*

While national income and product account estimates are regularly compiled in most countries and are easily accessible, this is not true of national balance sheet statements. This book presents and analyzes national balance sheets for twenty countries for selected years since 1950, and extends balance sheets back into the nineteenth century for ten countries.

The book contains four chapters and three appendices. Chapter 1 summarizes the main analytic points observed in the study of the balance sheets, attempts to extend the known balance sheets to a planetary basis, and studies the growth of national assets, asset/production ratios, and the financial interrelations ratio—the ratio of financial to tangible assets. Five principal results are stated: (1) In the late 1970s tangible assets accounted for three-fifths of planetary assets and financial assets accounted for two-fifths; (2) among developed market economies, there was a sharp reduction over the past century in the share of farm land and livestock in the national wealth, a rise in the share of financial assets in total assets, and an increase in the share of financial institutions in financial assets; (3) the creation of a modern financial superstructure was generally accomplished at a fairly early stage of a country's economic development; (4) economic development was accompanied by a more than proportionate expansion of the financial superstructure in the early and intermediate stages, and by a parallel expansion of the size of the infrastructure and the financial superstructure in mature modern economies; and (5) financial institutions are now either holders or issuers of one-half or more of financial instruments in market economies.

Chapter 2 discusses the conceptual problems involved in creating national balance sheets. The conceptual problems discussed are: The scope of the balance sheets in terms of assets; the classification of assets and liabilities; sectorization; valuation, and selection of benchmark dates.

Chapter 3 discusses the structure of national balance sheets for the twenty countries. For tangible assets the discussion is organized around the distribution of tangible assets among land, residential structures, nonresidential structures and equipment, inventories, livestock, and consumer durables. For financial assets, the discussion is organized around the share of the various types of financial assets in total financial assets.

Chapter 4 focuses on the use of sectorized balance sheets for six countries. In the first part of this chapter, assets, liabilities, and net worth are generally analyzed in terms of the share of each sector in the national total of each type of asset, liability or net worth. In the second section the balance sheet structure of each sector is analyzed in terms of similarities or differences between countries.

Appendix A shows the national balance sheet for each of the twenty countries with percentage shares of national assets; the total values of national assets are also shown denominated in the country's currency so one can record the balance sheet in monetary form if desired. Appendix A also highlights secular developments in each country's balance sheet and gives either detailed notes on the derivation of the estimates or gives references to other works by Professor Goldsmith where the detailed derivation for the balance sheets of some of the countries may be found.

Appendix B gives the sectoral balance sheets for six countries. Appendix C discusses briefly some statistical difficulties encountered in estimating some of the balance sheet components.

This book is a pioneering venture. Only three countries have published official national and sectoral balance sheets for a few recent years. Professor Goldsmith compiled the balance sheets for the seventeen other countries and extended as many of them as he could back into the nineteenth century.

I find it disheartening that there should be a need for a pioneering venture of this type so late in the day. The fact that national and sectoral balance sheets are not part of the regular statistical output of the economically developed countries needs to be explained, but the author does not address this.

Professor Goldsmith's work over the past 40 years shows that it is not impossible to derive national and sectoral balance sheets. The problem is that the profession has not made the case that an addition of balance sheets to our statistical program would assist economic policy makers in ways that would justify the costs. If we were seriously to pursue the goal of timely annual balance sheets, the costs would require substantial additions to our statistical programs in terms of data collection, and analyses.

To test the usefulness of this information, I reviewed the balance sheet of the United States in 1929 to see if anything was so seriously out of line with prior experience that an analyst might have concluded that the debacle of the Great Depression was possible (Table A–22). The only asset whose share in total national assets was out of line was corporate stock, which at 19.4 percent of national assets was far above its share in earlier years or in other countries. Knowledge that stock market values had outstripped the value of tangible assets might have warned the policy makers to limit the speculative borrowing that was fueling the stock-market.

This book is a useful addition to our knowledge. It shows balance sheets can be compiled. Further it shows that balance sheets can be useful in pinpointing speculative excesses—a role that can only be enhanced by having annual balance sheets with detailed sectors available. Professor Goldsmith deserves our thanks for this. Now it is up to the profession to see that the balance sheets are added to our regular statistical program.

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310 DOMESTIC MONETARY AND FINANCIAL THEORY AND INSTITUTIONS

The industrial organization of futures markets. Edited by RONALD W. ANDERSON. Lexington, MA and Toronto: Heath, Lexington Books, 1984. Pp. vii, 312. $28.50. ISBN 0–699–06836–5. *JEL 84–1069*

In the last decade, the popularity of futures markets has soared as contracts in new product areas have been introduced. Accompanying this emerging importance has been a significant increase in attention from the media, contract users, academics and regulators. While much