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## CHAPTER V

### THE SHARE OF PROPERTY AND ENTERPRISE

#### Realized Entrepreneurial and Property Income By Industries.

Table XVII presents a comparison of the industrial sources from which entrepreneurs and other property owners have drawn their realized income during the last 20 years. It will be remembered that the term "realized income," as here used, excludes all gains due to changes in property values and that, therefore, "the realized income of entrepreneurs and other property owners" is made up, in the main, of interest on funded debt, dividends on stocks, rents and royalties derived from leased property, and profits withdrawn from their own enterprises by individual entrepreneurs. It will be observed that the figures presented for the years 1926-1928 are indicated as being preliminary. These figures, in fact, are highly tentative and may be widely in error. In general, the estimates of entrepreneurial income are less trustworthy than are the corresponding figures for wages and salaries, the reason being that it is extremely difficult to tell how much income individual entrepreneurs have withdrawn from their enterprises.

The industry yielding the largest aggregate of returns to all owners combined is agriculture. The returns in agriculture have been estimated by deducting from the total value of farm products estimated to have been sold or consumed at home the business expenses incurred in production. While the errors in the estimates so obtained may, in some years, be considerable, it is not believed that they are large enough seriously to vitiate the results. The data in the third column of Table XVII include not only the income of farmers and their families but also the receipts obtained by landlords from farm rentals and by mortgage holders from interest on farm mortgages.

The mercantile industry ranks second. The estimates of mercantile income must be considered as nothing more than crude approximations based mainly upon three estimated quantities: first, the total value of goods sold by merchants; second, the average rates of profits to total sales; third, the fraction of total profits saved. Much effort has been devoted to obtaining year by year estimates of the total value of goods sold by merchants, but one

TABLE XVII

**REALIZED INCOME<sup>a</sup> DRAWN BY  
ENTREPRENEURS AND OTHER PROPERTY OWNERS  
FROM THE VARIOUS INDUSTRIES**

(MILLIONS OF CURRENT DOLLARS)

Year	All Industries	Agriculture <sup>b</sup>	Manufacturing <sup>c</sup>	Mines, Quarries and Oil Wells <sup>d</sup>	Construction <sup>e</sup>	Banking <sup>f</sup>	Mercantile <sup>g</sup>	Government <sup>h</sup>	Unclassified <sup>i</sup>	Miscellaneous <sup>j</sup>
1909	\$14,515	\$4,271	\$1,103	\$238	\$663	\$222	\$2,048	\$ 142	\$2,156	\$2,747
1910	15,163	4,504	1,246	261	566	266	2,024	178	2,165	2,955
1911	15,360	4,065	1,323	240	620	272	2,305	197	2,307	3,020
1912	16,390	4,539	1,378	281	648	280	2,351	201	2,534	3,152
1913	16,901	4,357	1,479	351	354	293	2,580	216	2,879	3,316
1914	17,131	4,326	1,425	275	536	290	2,666	232	2,830	3,468
1915	17,845	4,715	1,485	282	520	280	2,684	257	2,902	3,605
1916	20,817	5,803	2,380	575	548	266	2,952	272	2,998	3,874
1917	25,529	8,159	2,681	705	268	279	3,696	361	3,830	4,330
1918	28,084	9,991	2,550	658	204	291	3,867	537	3,547	5,242
1919	30,550	10,692	2,465	459	395	284	4,536	1,064	3,525	5,882
1920	31,716	9,394	2,422	507	448	346	4,566	1,078	4,293	7,415
1921	27,157	5,562	2,223	429	424	367	4,306	1,065	4,427	7,104
1922	28,225	6,097	1,946	410	516	436	4,293	1,130	4,973	7,132
1923	31,444	6,796	2,449	564	584	469	5,474	1,083	5,110	7,505
1924	32,642	7,092	2,329	528	877	470	5,790	973	5,304	7,764
1925	35,076	7,836	2,583	611	919	498	6,347	979	5,721	7,940
1926	35,781*	6,941*				529	6,347*			8,020*
1927	36,845*	7,119*					6,472*			8,040*
1928	38,296*	6,830*					6,602*			

<sup>a</sup> For definition of this term, see text.

<sup>b</sup> Based upon *Census of Agriculture* and reports of the U. S. Dept. of Agriculture.

<sup>c</sup> Based upon *Census of Manufactures, Statistics of Income*, published by the U. S. Bureau of Internal Revenue, and a study of a large number of sample corporations made by the National Bureau of Economic Research.

<sup>d</sup> Based upon *Census of Mines & Quarries, Statistics of Income*, published by the U. S. Bureau of Internal Revenue, and upon a study of the reports of numerous corporations made by the National Bureau of Economic Research.

<sup>e</sup> Based upon volume of construction as reported by the F. W. Dodge Co. and upon *Statistics of Income*, published by the U. S. Bureau of Internal Revenue.

<sup>f</sup> Based upon reports of the Comptroller of the Currency.

<sup>g</sup> Based upon reports of various research bureaus and upon *Statistics of Income*, published by the U. S. Bureau of Internal Revenue.

<sup>h</sup> Based upon reports of the Secretary of the Treasury.

<sup>i</sup> Based upon *Statistics of Income*, published by the U. S. Bureau of Internal Revenue.

<sup>j</sup> Includes income from urban gardens, poultry and cows, imputed rent of owned homes, imputed interest on the value of durable consumption goods in the hands of consumers, income from foreign investments, and rent of leased homes. Based upon Census data, bulletins of the Dept. of Commerce and F. W. Dodge figures on the value and volume of residential construction.

\* Preliminary estimate.

cannot be certain that even these sales figures do not contain a considerable margin of error. To these estimates of total sales, profit ratios have been applied, the products presumably representing

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TABLE XVII—Continued

REALIZED INCOME<sup>a</sup> DRAWN BY  
ENTREPRENEURS AND OTHER PROPERTY OWNERS  
FROM THE VARIOUS INDUSTRIES  
(MILLIONS OF CURRENT DOLLARS)

Year	All Following Fields of Transportation	Railroads <sup>k</sup>	Pullman <sup>l</sup>	Express <sup>l</sup>	Transportation by Water <sup>m</sup>	Street Railways <sup>n</sup>	Private Electric Light and Power <sup>o</sup>	Telephones <sup>p</sup>	Telegraphs <sup>q</sup>
1909	\$ 926	\$614	\$8	\$19	\$39	\$139	\$ 53	\$43	\$12
1910	997	653	9	22	51	151	54	45	12
1911	1,009	659	9	9	46	158	66	48	12
1912	1,025	662	9	6	46	166	70	53	13
1913	1,077	691	9	6	46	179	77	56	13
1914	1,085	676	9	4	49	189	86	58	13
1915	1,116	688	9	6	53	190	95	60	15
1916	1,150	683	9	15	65	196	104	63	15
1917	1,220	714	9	4	103	188	117	68	17
1918	1,196	691	9	3	87	177	137	72	19
1919	1,248	694	9	3	120	178	149	76	19
1920	1,248	703	9	4	87	176	164	84	20
1921	1,251	684	9	6	74	176	186	97	19
1922	1,293	709	10	5	34	184	219	108	24
1923	1,410	755	9	5	18	206	276	120	21
1924	1,516	804	9	5	15	199	328	134	23
1925	1,643	839	5 <sup>r</sup>	5	22	196	404	150	23
1926		871	7	5					
1927				5					
1928				5					

<sup>k</sup> Based upon *Statistics of Railways* published by the Interstate Commerce Commission. Includes switching and terminal companies.

<sup>l</sup> Based upon *Preliminary Abstract of Statistics of Common Carriers*, issued by the Interstate Commerce Commission.

<sup>m</sup> Based upon *Statistics of Income*, published by the U. S. Bureau of Internal Revenue.

<sup>n</sup> Based upon *Census of Electric Railways* and upon records of a large number of sample corporations.

<sup>o</sup> Based upon *Census of Electric Light and Power* and upon the records of a large number of sample corporations.

<sup>p</sup> Based upon *Census of Telephones*, reports of *Bell Telephone Companies* and reports of other telephone corporations.

<sup>q</sup> Based upon the reports of the telegraph companies given in *Moody's Manual of Public Utilities*.

<sup>r</sup> Decrease in income due to split in the Pullman Co., all the manufacturing being given over to the Pullman Car & Manufacturing Co. which is owned by the Pullman Co.

the aggregate gains which merchants have made on their sales. These profit ratios are based on the investigations of a number of public and private agencies and are much more dependable in the later than in the earlier years of the period covered by this study,

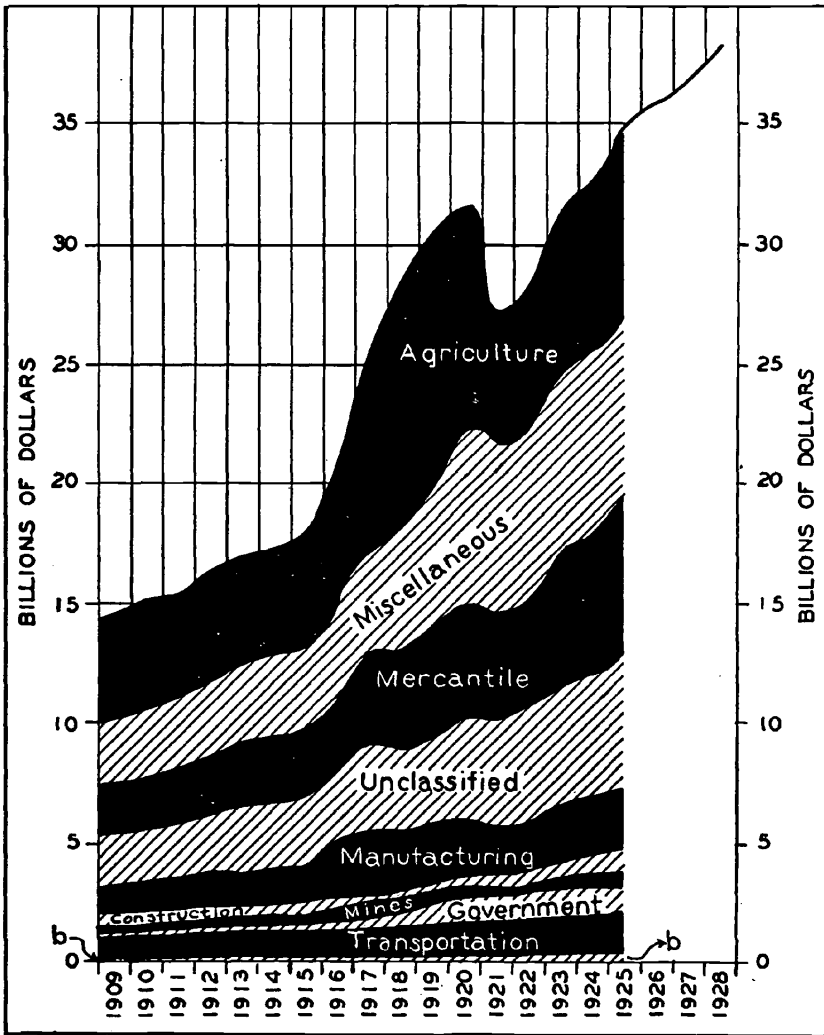
since, for the earlier years, data along this line are almost non-existent. It is, therefore, possible that considerable errors have been made in calculating the profits of merchants, especially in the pre-war period. We know, further, very little about the proportion of mercantile profits withdrawn by owners for private use, hence a third source of error is introduced into the figures.

The estimates for unclassified industries and for miscellaneous returns are both little more than careful guesses. Since 1916, the figures covering the unclassified industries are based, to a considerable extent, upon data in the reports published by the United States Bureau of Internal Revenue, entitled *Statistics of Income*, and are therefore less likely to be widely in error than are the figures for the years 1909 to 1915. The estimates for the construction industry and for transportation by water, especially in the earlier years, are also subject to considerable margins of error. It is believed that the data for the other fields covered, namely, manufacturing, mining, government, banking, railways, Pullman, express, street railways, telephones, telegraphs, and private electric light and power—are reasonably dependable. Even in those industries in which the estimates are extremely crude, the changes from year to year presumably have considerable significance, the indications of change being much more reliable than those of absolute size. The figures in the column headed "government" represent an estimate of the amount of interest paid by the Federal, state, and local governments in the various years.

Table XVII indicates that the owners of the agricultural industry derive from farming approximately three times as much revenue as the owners of the manufacturing industry obtain from their factories. The fact that entrepreneurs and property owners in the manufacturing industry received total income so much less than the aggregate for the agricultural or mercantile fields is obviously due to the fact that in the latter fields the number of entrepreneurs devoting full time to the industry is relatively great. The magnitude of the total profits in the unclassified industries is accounted for in the same way, for it must be remembered that the unclassified industries are largely made up of the various so-called hand trades, and they also include a great variety of small enterprises conducted by the proprietor himself or with the help of his family. The manufacturing industry, on the other hand, is owned largely by corporations, and a great majority of the holders of corporate securities devote almost no time to the management of the industry.

CHART 11

REALIZED INCOME DRAWN BY  
ENTREPRENEURS AND OTHER PROPERTY OWNERS  
FROM THE VARIOUS INDUSTRIES<sup>a</sup>



<sup>a</sup> For data, see Table XVII.  
<sup>b</sup> Banking.

TABLE XVIII

PURCHASING POWER, IN 1913 DOLLARS,<sup>a</sup>  
OF THE REALIZED INCOME DRAWN BY  
ENTREPRENEURS AND OTHER PROPERTY OWNERS  
FROM THE VARIOUS INDUSTRIES  
(MILLIONS OF 1913 DOLLARS)<sup>b</sup>

Year	All Industries	Agriculture	Manufacturing	Mines, Quarries and Oil Wells	Construction	Banking	Mercantile	Government	Unclassified	Miscellaneous
1909	\$15,354	\$4,414	\$1,169	\$252	\$708	\$235	\$2,188	\$150	\$2,293	\$2,963
1910	15,614	4,528	1,290	270	589	275	2,104	184	2,243	3,098
1911	15,901	4,179	1,369	248	642	281	2,386	204	2,384	3,163
1912	16,743	4,600	1,409	288	663	286	2,403	206	2,584	3,258
1913	16,934	4,357	1,479	351	354	293	2,580	216	2,879	3,349
1914	17,011	4,290	1,418	274	532	286	2,649	230	2,796	3,456
1915	17,850	4,789	1,484	282	522	274	2,693	254	2,857	3,581
1916	19,346	5,237	2,235	540	515	242	2,774	252	2,749	3,720
1917	20,345	5,792	2,230	587	219	219	3,025	296	3,033	3,930
1918	19,462	6,194	1,841	475	144	193	2,719	378	2,371	4,284
1919	18,564	5,796	1,557	290	241	161	2,765	653	2,033	4,281
1920	17,188	4,694	1,340	281	239	174	2,439	580	2,170	4,583
1921	16,429	3,572	1,328	256	253	210	2,562	625	2,545	4,333
1922	17,883	4,116	1,222	257	327	266	2,719	698	3,056	4,411
1923	19,839	4,681	1,526	351	365	281	3,426	663	3,094	4,574
1924	20,490	4,837	1,452	329	548	282	3,617	597	3,210	4,676
1925	21,339	4,935	1,576	373	561	292	3,877	588	3,386	4,751
1926	21,844*	4,282*				309	3,874*			4,816*
1927	22,833*	4,656*					4,018*			4,924*
1928	24,055*	4,546*					4,162*			

<sup>a</sup> "1913 Dollars" is an abbreviation for the phrase "dollars having purchasing power equivalent to that which they had in 1913."

<sup>b</sup> Computed from corresponding items in Table XVII by dividing by the appropriate price indices recorded in Table VII.

\* Preliminary estimate.

It is interesting to note that, in recent years, the share of the owners of the construction industry has been larger than the corresponding share derived from the operation of the railroads of the country.

### Realized Entrepreneurial and Property Income in 1913 Dollars.

In Table XVIII, entrepreneurial and property income are expressed in terms of dollars having purchasing power equal to that prevailing in 1913. In the latter table, therefore, the quantities shown indicate the relative amounts of consumable commodities

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TABLE XVIII—Continued

PURCHASING POWER, IN 1913 DOLLARS,<sup>a</sup>  
 OF THE REALIZED INCOME DRAWN BY  
 ENTREPRENEURS AND OTHER PROPERTY OWNERS  
 FROM THE VARIOUS INDUSTRIES  
 (MILLIONS OF 1913 DOLLARS)<sup>b</sup>

Year	All Following Fields of Transportation	Railroads <sup>c</sup>	Pullman	Express	Transportation by Water	Street Railways	Private Electric Light and Power	Telephones	Telegraphs
1909	\$ 982	\$651	\$8	\$20	\$42	\$147	\$ 56	\$46	\$12
1910	1,033	676	9	23	53	157	56	47	13
1911	1,044	682	10	9	47	164	69	50	13
1912	1,048	677	9	6	47	170	72	54	13
1913	1,077	691	9	6	46	179	77	56	13
1914	1,079	673	9	4	49	188	86	58	13
1915	1,114	687	9	6	53	190	95	59	15
1916	1,080	642	9	14	61	184	98	58	14
1917	1,014	594	8	3	86	156	98	55	14
1918	863	499	7	2	63	128	99	50	14
1919	787	439	6	2	76	113	94	46	13
1920	689	389	5	2	48	97	91	46	11
1921	746	409	6	4	44	105	111	58	12
1922	810	445	6	3	21	115	137	68	15
1923	876	470	6	3	11	128	172	75	13
1924	943	501	6	3	9	124	204	84	14
1925	1,000	512	3 <sup>d</sup>	3	13	119	246	92	14
1926		532	4	3					
1927				3					

<sup>c</sup> Includes switching and terminal companies.

<sup>d</sup> Decrease in income due to split in the Pullman Co., all the manufacturing being given over to the Pullman Car & Manufacturing Co. which is owned by the Pullman Co.

which would have been purchasable in the various years had there been no changes in the general price level. The figures in the second column of Table XVIII indicate that the ability of entrepreneurs and other property owners combined to purchase direct or consumers' goods has increased during the 19 years between 1909 and 1927 by almost one-half. The share of the owners in the aggregate moved up rapidly from 1909 to 1917, declined sharply between 1917 and 1921, then climbed upward again passing the 1917 high in 1924, and continuing on until, in 1927, it was nearly 50 per cent above the 1909 figure.



From Charts 11, 12a, and 12b, it is seen that the entrepreneurial and property income from agriculture remained approximately constant from 1909 to 1914, rose rapidly until 1918, then fell with even greater speed until 1921, since which date a gradual recovery is evident. Though the level attained in 1927 was well above that of 1909, the recovery had not yet succeeded in bringing the share of the farmers, landlords, and mortgage holders, as measured in purchasing power, to anything like as high as the level of 1918.

The gains of the owners in the manufacturing industry have, in many respects, fluctuated in the same way as have those of the agriculturists, although, in manufacturing, the high point was reached in 1916 and the decline continued until 1922. Data are not available for years since 1925, but, in that year, the share of the entrepreneurs and other property owners, though materially higher than in 1909, was still only about two-thirds as great as in 1916.

The figures for mines, quarries, and oil wells likewise show that the years 1916 and 1917 were the most profitable for the owners, and that their gains declined thereafter rapidly until 1921. The recovery up to 1925 had not as yet brought profits up to the 1916 level.

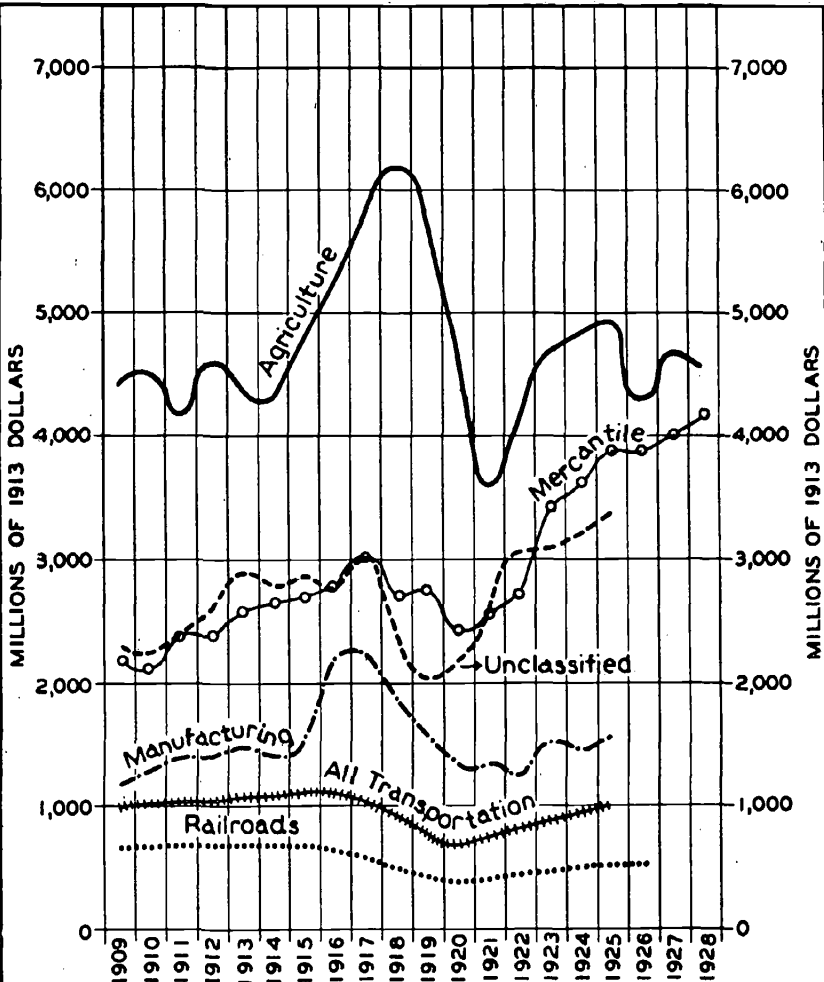
In the construction industry, the years preceding our entry into the World War, though characterized by declining profits, were much more profitable to the entrepreneurs than were those during and after the war, although conditions improved after 1918. From the profit standpoint, the construction industry has, in fact, been steadily on the up-grade since the close of the war, real profits in 1924 and 1925 having again approached, though not attained, the average pre-war level.

The share of the entrepreneurs and other property owners in banking was apparently a little larger in 1925 than in the period 1911 to 1914. Due primarily to the reduced purchasing power of the dollar, profits were greatly depressed during the whole period of inflation, reaching their lowest point in 1919.

In the mercantile field, total profits rose rapidly from 1909 to 1917, declined between 1917 and 1920, rose sharply to 1925, and have since been tending slowly upward. There is no evidence that the period of inflation brought to merchants unusual profits. Only in the year 1917 does it seem that the rise in prices really brought to merchants any considerable net gain. Of course, in the other years likewise, they made nominal gains, but, when the figures are de-

CHART 12a

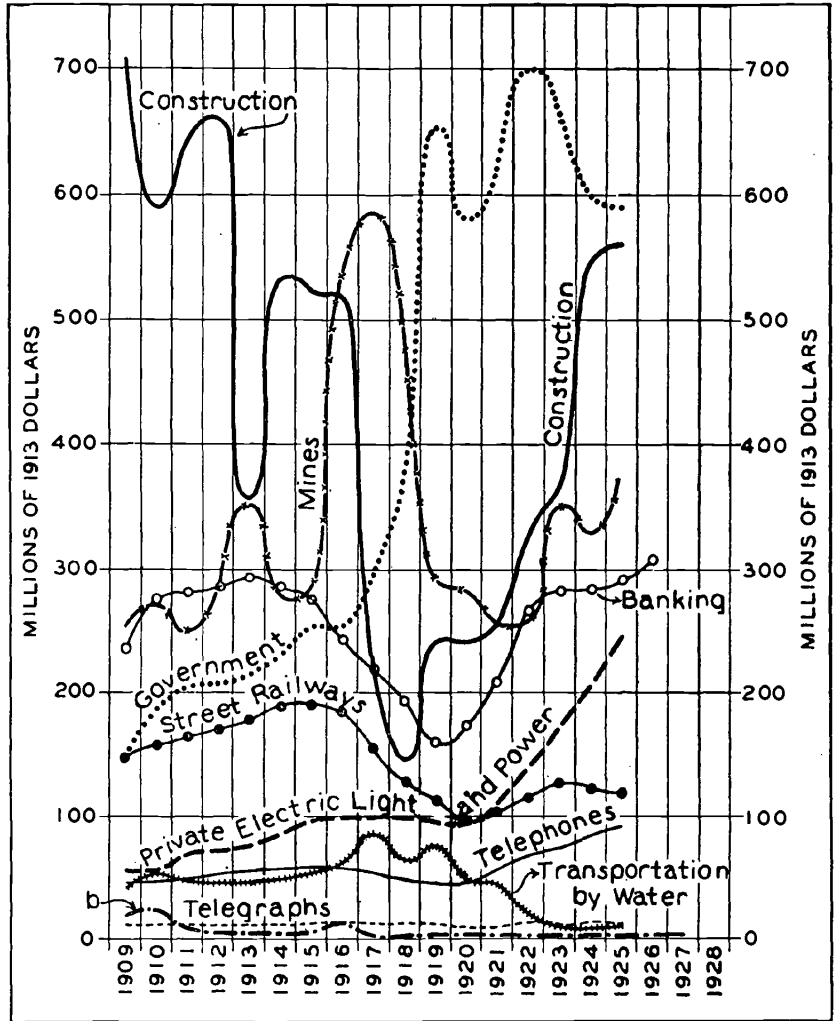
PURCHASING POWER, IN 1913 DOLLARS,  
OF THE REALIZED INCOME DRAWN BY  
ENTREPRENEURS AND OTHER PROPERTY  
OWNERS FROM THE VARIOUS INDUSTRIES<sup>a</sup>



<sup>a</sup> For data, see Table XVIII.

CHART 12b

PURCHASING POWER, IN 1913 DOLLARS,  
OF THE REALIZED INCOME DRAWN BY  
ENTREPRENEURS AND OTHER PROPERTY  
OWNERS FROM THE VARIOUS INDUSTRIES\*



\* For data, see Table XVIII.  
 b Express.

flated, their apparently excessive profits shrink to figures indicating that gains were only average in size.

As previously stated, the items appearing under the caption "Government" represent payments to holders of the funded debt. Interest payments were, of course, greatly expanded by the war, hence it is not surprising to see that the rise which had been going on steadily but slowly between 1909 and 1917 was, at the last-mentioned date, sharply accentuated, the rise to 1919 being almost vertical. Since 1922, there has been a decline in the total, due primarily to the paying off of some of its debt by the Federal government. The irregular changes from year to year observable in this column are due primarily, not to variations in the amount of interest paid, but rather to fluctuations in the index numbers used as deflators.

Figures purporting to show, in deflated dollars, the share of entrepreneurs and other property owners in the unclassified industries are not sufficiently trustworthy to deserve much comment. They indicate a marked decline in this class of income during the war period, due to the fact that the number of persons attached to this industry at that time fell off so sharply. Aside from this temporary depression, there is a steady general upward tendency in the items in this column. The figures for miscellaneous income, made up as they are largely of rents of homes and imputed income on the value of various durable consumers' goods, tend to parallel the general increase in the wealth of the inhabitants.

The graph in Chart 12a, recording the returns received by the owners of the railroads of the country, shows that such returns remained approximately constant between 1909 and 1915. With the advent of deflation, however, their income declined sharply until, in 1920, it was only three-fifths as large as it was in 1913. Since 1920, however, the lot of the railway stock and bondholders has slowly but steadily improved, though in 1925, the last year for which figures have been computed, their annual income would still buy but about three-fourths as much as in the years before the World War. What has been said of the railroad industry applies with practically equal force to the Pullman industry.

The erratic behavior of the figures for the express industry is caused by the various transformations which that industry has undergone, and by the liquidation of some of the concerns in that field, resulting in payment of enormous dividends in some years.

Figures for transportation by water are far from being highly dependable as to details, but they indicate conclusively that the

owners profited greatly by the high returns from carrying freight during war time, despite the loss of numerous vessels. After the close of the World War, the profits in this field declined rapidly and, since 1923, have been at an extremely low ebb.

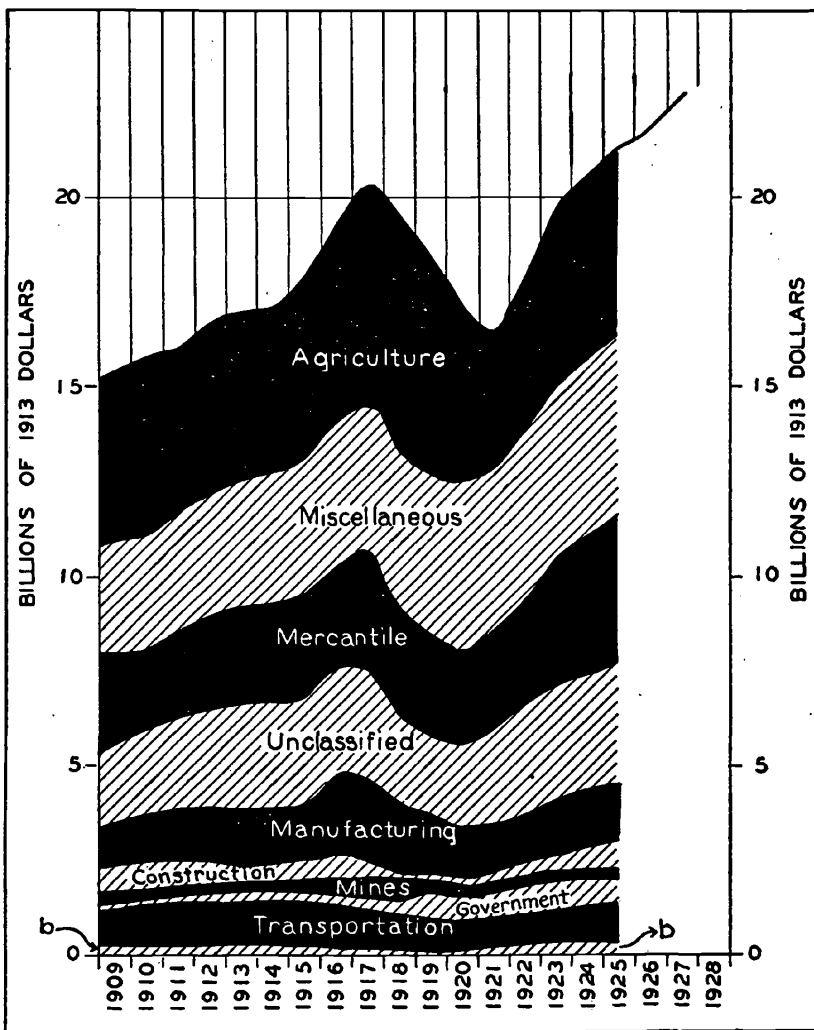
Until the year 1915, the security holders in street railways gained steadily in their income from this industry as measured in terms of constant dollars. Inflation, however, forced their income sharply downward during the years 1916 to 1920 until, in the last mentioned year, it was but about half what it was in 1915. Since 1920, there has been a slow recovery, but, presumably mainly because of the strenuous competition of the automobile, earnings are still at a low level and the share of the stock and bondholders remains small as compared to what it was in pre-war times.

Private electric light and power plants and telephone and telegraph companies were affected less severely by the effects of inflation accompanying the war than were the other corporation-controlled industries studied. Since 1921, the owners of all three of these industries have been prospering, although the most marked growth in dividends and interest is in the field of electric light and power, the owners of that industry receiving  $2\frac{1}{2}$  times as large an income in 1925 as in 1920. However, for the entire field of transportation, the income was lower in 1925 than in any year before the war, except 1909.

Perhaps the most important fact brought out by the figures in Table XVIII and the graphs in Chart 13 is that, to the owners of American industries, the Great War, and especially its aftermath of inflation, brought, in the main, severe losses instead of gains. It is true that, before the United States entered the World War, the industries of agriculture, manufacturing, mining, and transportation by water did profit materially on account of the new business given them by the European countries participating in the war. When, in 1918, however, the United States Government really became engaged in earnest, profits shrank in practically all of the industries except agriculture. Farmers' gains continued on a high level throughout 1918 and 1919, but then began a swift descent. In practically all of the other fields of private industry, the decline in profits continued until 1920, and in some cases until 1921, despite the supposedly tremendous post-war boom of 1919 and early 1920. Of course, during this boom, many entrepreneurs secured large nominal profits, which, when translated into dollars of constant purchasing power, often shrank until they were materially smaller than normal.

CHART 13

PURCHASING POWER, IN 1913 DOLLARS,  
OF THE REALIZED INCOME DRAWN BY  
ENTREPRENEURS AND OTHER PROPERTY  
OWNERS FROM THE VARIOUS INDUSTRIES<sup>a</sup>



<sup>a</sup> For data, see Table XVIII

<sup>b</sup> Banking.