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APPENDIX II: PART K
REPORT OF THE WORKING GROUP ON TRADE
WEALTH

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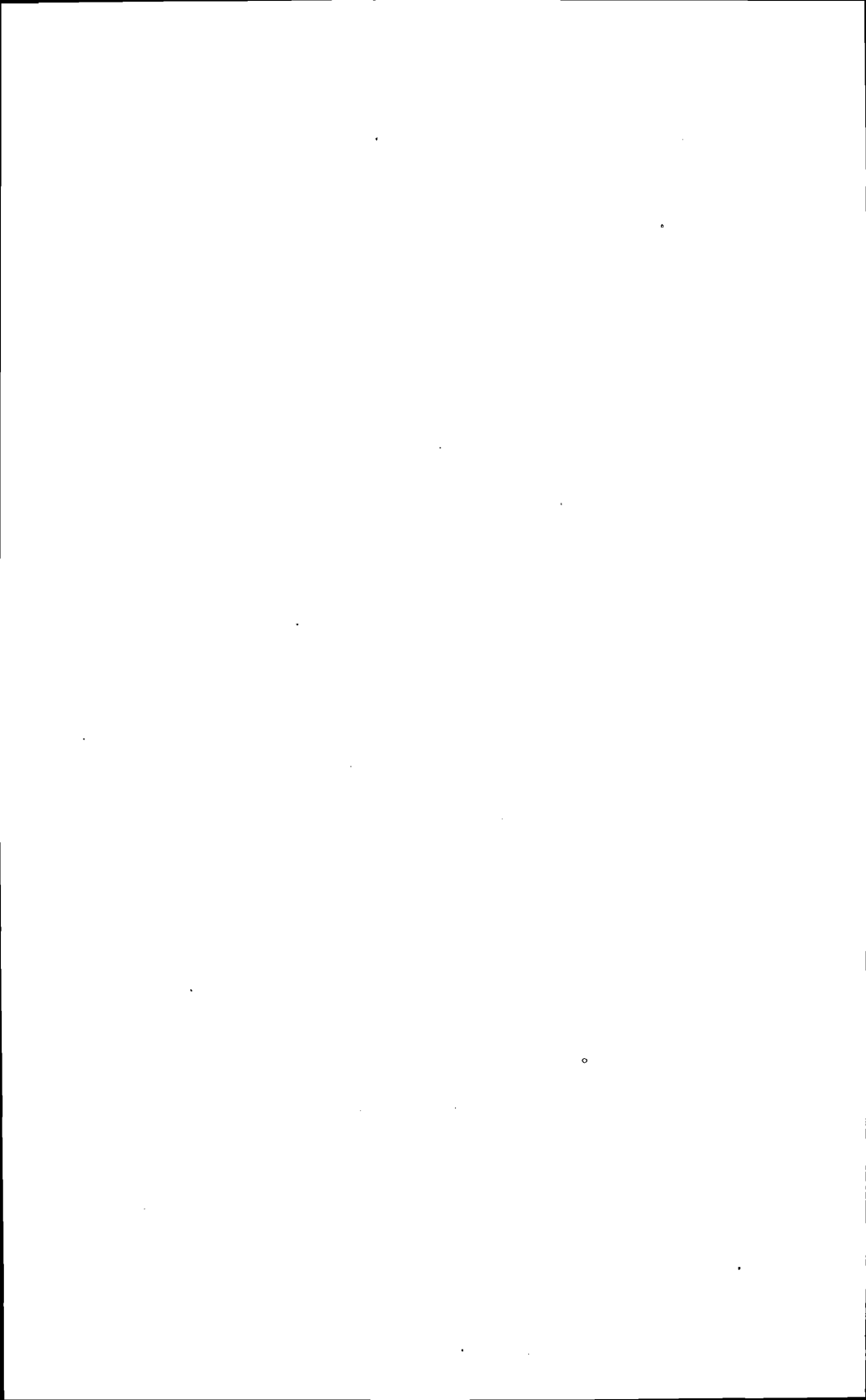
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PREFACE

The Working Group on Wealth in Trade met twice, on October 4 and November 15, 1963. At both meetings the group considered concepts of wealth with particular reference to wealth in trade, examined the uses of wealth data in the wholesale and retail trades, and, in some detail, discussed the problems of collecting, assembling, and presenting such data. At its second meeting the group also reviewed a memorandum outlining currently available relevant statistical series. Following the second meeting a draft report was circulated to all members for comments, recommendations, and criticisms. However, the final wording of the report is the responsibility of the secretary. While he has attempted to reflect the consensus of the group, no member should be held responsible for all the views expressed. Individual members have been free to write supplementary statements presenting their own views if they so desire.

A number of persons in addition to members of the group, including David J. Hyams and John W. Kendrick, attended meetings of the group and made helpful suggestions.

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TRADE

I. USES OF WEALTH IN TRADE DATA

Statements as to the general usefulness and limitations of a wealth inventory as part of overall national aggregative statistics, as for example, in macroeconomic forecasting, appear in the staff report. Duplication of such statements here seems redundant, and the discussion at this point will be limited to the trade-related utility of wealth data.

However, the group does want to point out that many of the most significant benefits to trade from a wealth inventory will arise out of the accumulation of information about wealth in nontrade sectors. Consumer wealth information should be particularly useful in indicating market conditions and hence in directing trade activity toward its most useful applications. The wholesale trades will benefit from pictures of industrial, consumer, and retail trade investment. Similarly trade wealth data should be quite useful to manufacturers and to other suppliers for the analysis of distributive channels. City planners, urban geographers, real estate developers, lending institutions, and others with either theoretical or operating interests in the location and size of distributive institutions will gain from the trade wealth inventory.

Nevertheless, the trade wealth inventory will have many applications within the fields of wholesale and retail distribution themselves. It will further several major lines of theoretical investigation. One of these is in the promising area of comparative marketing studies, where an attempt is being made to examine the variations in marketing practices and institutions that are associated with environmental differences. Although this approach is not new, it has received increasing impetus in recent years from the growing outreach of trade and from recent worldwide improvements in national economic statistics. Perhaps the outstanding work in this field is Margaret Hall, John Knapp, and Clement Winsten's study of the relationships between population, income, and urbanization on one hand, and the number, size, variety, and employee sales performance of British, Canadian, and United States retailers on the other hand.¹ This study is particularly significant because of its detailed exploration of intranational, as well as international, variations. Although most other recent studies in this field have painted with broader strokes, detailed work undoubtedly will follow as the data become available. Information on the nature and distribution of trade assets, as well as of trade population and sales, would greatly facilitate such analysis.

A second major line of investigation is in the field of retail and wholesale productivity. The desirability of being able to measure the

¹ "Distribution in Great Britain and North America," New York: Oxford University Press, 1962.

relationships between inputs and outputs in various branches and sectors of the distributive trades is obvious. However, for lack of a better unit, most studies in this field have been forced to use such measures as sales per employee or, at best, value added per employee, as if labor were the only input factor. Figures on a per employee basis, always unsatisfactory, will become even less useful if the current apparent trend toward increased use of capital in trade continues. Increased use of automation and of self-service should reduce the meaningfulness and usefulness of employee-based data. A wealth inventory would help furnish a better basis for measurement of productivity in the trade sector by providing information on the capital inputs in that sector.

A valuable byproduct of productivity studies will be identification of promising areas for research and experimentation in marketing. The ratio of rented plant and facilities to owned plant and facilities seems to be higher in the distributive trades than in many other economic sectors. Recent marketing analyses in the Department of Agriculture suggest, as one might expect, that productivity comparisons based solely upon total capital used will differ markedly from comparisons based solely upon capital owned. The group recommends that use, as well as ownership, figures be reported in the inventory.

Many observers believe that the nature of wholesale and retail trade is changing at the present time, and that automation and self-service techniques are gradually increasing the capital intensiveness of those trades. These beliefs, however, are very largely only impressions. A wealth inventory would provide a valuable benchmark for the measurement of future change.

As indicated below, many governmental and private statistical series are now prepared for interfirm comparisons in the distributive trades. Although these series are mainly concerned with operating and income statistics, an asset inventory would provide a firm statistical anchor for many of these reports. If it should prove possible to make any detailed supplementary analyses of the inventory data, e.g., distributions of assets of particular trades by asset size or distribution of income/asset ratios, new insights might be obtained into the relative heterogeneity or homogeneity of individual trades. These insights, in turn, probably would be very useful for, among other things, testing and defining the proper applicability of many current series.

The wealth inventory can be useful to management in indicating conditions of balance or imbalance between the market for, and the supply of retail and wholesale facilities. To some extent this application requires geographic breakdowns, such as are discussed below in the recommendations.

The inventory should provide useful guidelines or indicators of average investment per establishment in the various distributive trades. Such information will be helpful to entrepreneurs, bankers, suppliers, and others involved in trade investment decisions. Many consumer goods wholesalers, in particular, assume guidance responsibilities toward their retail outlets, and would be aided by this type of information.

Other uses of the data undoubtedly will suggest themselves over time. However, we should at least note in passing that the wealth inventory would help in pointing up the often overlooked major national investment in distribution.

II. CURRENTLY AVAILABLE DATA

In addition to the reports described below, a considerable number of statistical series are prepared on behalf of individual trades by various trade associations, university research bureaus, and other organizations. These series are extremely valuable in the context of their own objectives, and in some cases will be quite useful for rough checks on wealth inventory results.

But, in general, these nongovernmental series have not been designed to serve as a base for a wealth inventory. They mainly relate to the operating statement, rather than to the balance sheet. (Some do obtain inventory turnover rates, and may or may not have dollar inventory figures. Also some series do obtain sales/total asset ratios. However, the emphasis in these series is usually on operating and income statistics.) The data are drawn, as a general rule, from voluntary, non-random samples, and hence are not subject to estimation of sampling error. Considerable variation exists in the degree of rigor and control exercised in the reporting and analysis of the data: most of the series provide inadequate detail on asset structure; geographic asset data are rare; many of the series are prepared on a firm-by-firm basis; and the kind-of-business classifications in at least some cases depart from SIC categories. Moreover, regardless of the statistical merits of each individual series, it must be remembered that the collecting agencies have worked individually, and have not designed their reports to be additive.

Therefore the group finds itself close to the view expressed in 1949 by the International Chamber of Commerce's International Committee on Distribution Statistics:

The International Committee on Distribution Statistics, in devoting its attention primarily to the problems of distribution censuses, has not overlooked the great importance of developing other sources of statistical data useful for studying distribution problems. It recognizes that important contributions can be made by the work of trade associations, individual firms, and research agencies in compiling statistical data, particularly by the use of sampling techniques. The International Committee on Distribution Statistics considers, however, that reliable census data are the foundation of statistical research into the problems of distribution, and the experience of countries where distribution censuses are well developed seems to confirm this. (Distribution Censuses: An International Study, pp. 5-6)

The major sources of wealth data for retail and wholesale trade at the present time are:

A. INVENTORY DATA

1. Retail inventories

(a) The Bureau of the Census Annual Retail Trade Report shows cost value of yearend inventories, and computes sales-inventory ratios for retail trade. A breakdown by kind-of-business provides totals for each two-digit major group, for some three-digit groups, and for some four-digit industries. In a few cases, even finer classifications are shown. Thus industry 5511 "Passenger car dealers" is subdivided be-

tween franchised and unfranchised dealers. Inventories are valued at cost, using the respondents' own valuations.

Data are obtained from a probability sample that contains approximately 125,000 to 135,000 establishments. Total coverage is obtained of group II firms, i.e., those operating 11 or more stores. The remainder of the sample consists of stores located within 233 census sample areas. All "large" stores within the sample areas are polled, the definition of large varying with kind of business and area: all "special" or intermediate sized stores within specific geographic subsamples of the sample areas, and rotating panels of all remaining stores with the same subsamples complete the sample. The group II (large, multiunit) organizations report on a firm-by-firm basis. However, the general practice among these organizations is to develop at least yearend establishment dollar inventory figures for internal control and for tax purposes. Probably, most of these organizations also develop interim or perpetual dollar inventory figures on an establishment basis. For many or most of the remaining stores (i.e., the group I organizations) the establishment and the firm are identical.

(b) A monthly retail inventory series, based on reports drawn from the same sample, is published by the Office of Business Economics. While the fixed portions of the annual and monthly report samples are the same, the yearend report embraces data from more of the rotating segment stores than are used in any one monthly report. The annual data are also superior in that many of the respondents, particularly the smaller stores, are able to provide more precise figures at the yearend. In fact a fair number of firms within the sample do not maintain inventory records that show month-end figures. Some of these firms estimate their monthly inventories, using methods that vary considerably in accuracy. Others simply do not report monthly figures; and as a result, the monthly reporting is less complete than the annual series.

(c) Censuses of business. All multiunit firms with 250 or more employees (approximately 6,500 firms) are being asked to complete 1963 Business Census form NC-K1, which requests year opening and ending inventory figures at cost. Some 600 single unit *non*manufacturing firms may be asked to complete a similar form, NC-K1-S, which is currently under consideration. The two forms, if both are used, would provide data for approximately 1,200 retail firms.

(d) The Federal Reserve Board has published an annual and a monthly index of department store inventories, valued at retail selling prices. Data were furnished by a voluntary sample, consisting (January 1962) of some 1,539 stores estimated to hold about 73 percent of all department store inventories. The sample included independent department stores, and sectional, regional, and national department store chains. In recent years there has been considerable controversy as to whether the FRB sample was sufficiently representative of total general merchandise business, or whether some more comprehensive unit of analysis would be more meaningful. Sampling error could not be estimated for the FRB figures. The FRB has recently discontinued this series, and the Bureau of the Census will now provide all of the official monthly inventory estimates.

(e) Internal Revenue Service. The IRS series "Corporation Income Tax Returns" (D.I.a.) includes inventory figures for retail corpora-

tions, collected on a firm-by-firm basis. Data for integrated firms are not broken down by segments. The IRS series "U.S. Business Tax Returns: Sole Proprietorships, Partnerships and Corporation" includes inventory figures for retail trade firms, divided into the three legal-form-of-organization categories, and into detailed kind-of-business classifications.

(f) *Harvard figures.* The Division of Research of the Harvard Business School collected operating statistics for several types of retailers, such as department stores, variety stores, and grocery chains annually up to and including 1962. These series are now being transferred to other institutions. The Cornell University College of Agriculture is assuming responsibility for the grocery chain series. The National Retail Merchants Association will prepare the department store and departmentized specialty store figures, subject to some revision in concepts and content. These Harvard reports have been based upon voluntary samples that have varied in size from year to year. Only operating statistics have been presented, mainly as weighted averages of ratios to sales. However, the published reports do contain average inventory turnover rate data that may possibly be useful as checks upon other data.

(g) In October of every year, Dun's Review publishes its "14 Important Ratios for Retail Trade." The figures published are entirely in ratio form, but several of the ratios report on the relationships of inventories to various balance sheet and income statement items. The data are classified on a kind of business basis, but the extent to which the classification coincides with census categories is not known.

(h) The Robert Morris Associates, a national association of bank loan offices and creditmen, issues its "Statement Studies" annually. This volume is based upon compilation of operating and balance sheet statements taken from the files of member banks and checked by members of the association. Net inventory is one of the reported figures. The 1960 studies contained consolidated figures for 4,512 retail firms divided into 36 lines of trade. Further subdivisions within each line of trade report on three or four size breakdowns, based upon asset size. The sample is not a probability sample of all retail firms, and probable error cannot be computed. No geographic breakdown is published. The data are confined to those of small- and medium-sized firms, since limits of \$10 and \$25 million (asset size) are used, depending upon the line of trade involved.

2. *Wholesale inventories*

(a) A basic series appears in the Bureau of the Census' monthly wholesale trade report. This series reports merchandise owned by merchant wholesalers at month end, valued at cost. Manufacturers' sales branches and offices, consigned merchandise, and agent middlemen are excluded. The agent middleman category includes commissionmen, brokers, manufacturers' agents, and the like who have no owned inventory when acting in conformity with their classification. Nevertheless, in actual operation, this group includes firms that hold varying amounts of consigned and owned merchandise.

The classification of firms is mainly by three-digit industries. Data are broken out for some four-digit and some even finer classifications in some commodity fields. Some regional breakdowns are published.

Data are received from a probability sample of 17,000 firms. One thousand large firms report monthly. The other 16,000 are divided into four panels, each of which reports every fourth month. Data are obtained on a firm-by-firm basis.

(b) Censuses of business. The 1963 Wholesale Census will obtain beginning and end of year inventory figures for merchant wholesalers, agents and brokers, assemblers, manufacturers' sales branches and offices, and petroleum bulk plants.

(c) IRS series "Corporation Income Tax Returns" (D.I.a.) and "U.S. Business Tax Returns: Sole Proprietorships, Partnerships, and Corporations," present wholesale inventory figures, collected on a firm-by-firm basis. The corporation series includes a separation between inventories reported on LIFO (approximately \$450 million in fiscal 1961), FIFO (approximately \$5.8 billion), and method not stated (approximately \$5.9 billion).

(d) The Robert Morris Associates' 1960 "Statement Studies" contained consolidations of statements from 4,350 wholesale trade firms divided into 44 lines of trade.

B. BUILDINGS, EQUIPMENT, FURNITURE, AND FIXTURES

1. Retail

(a) The IRS corporate series (D.I.a) includes depreciable assets, both before and after the deduction of accumulated amortization and depreciation. Depletable assets (a considerably smaller figure) are also reported, both before and after the deduction of depletion reserves. Valuations and reserves are based upon the taxpayers' choice of methods. Some intangibles, such as patent rights (which would be relatively unimportant for retail trade) are included in the category of depreciable assets. The IRS has reportedly encountered considerable difficulty in developing asset and depreciation data from the distributive trades in satisfactory form for statistical purposes. The published figures do not provide any breakdown of depreciable assets by asset category.

(b) Census forms NC-K1 and, if used, NC-K1-S (1963 Census of Business, multiunit firms, and large, single-unit nonmanufacturing firms) request information on 1963 capital expenditures broken down between new structures and plant additions; new machinery and equipment; used plant, machinery, and equipment; and mineral property development. (The last category, of course, being relatively unimportant for the distributive trades.) Net value of depreciable and depletable assets is also requested.

(c) "Supermarket Merchandising," in its April issue, reports square footage of total new supermarket space and supermarket selling space added during the year preceding, based upon reports from a sample (method of selection not indicated) of about one-third of all new markets opened during the period. Discontinuances are not indicated, and consequently net change figures cannot be obtained from this report.

(d) The Harvard figures discussed above include statistics on weighted average returns per square foot. Whether absolute square footage figures could be obtained from this source is not known. In

any event, it is extremely doubtful that such figures could be projected to obtain total footage even in the covered lines of trade. The NRMA, which as noted is absorbing responsibility for the department store figures, may attempt to develop total square footage reports.

(e) Several local inventories of retail space have been prepared for various communities in the country. The nature and value of these inventories, of course, vary from case to case.

2. Wholesale

(a) The IRS corporate series also includes depreciable assets for wholesale trade.

(b) Similarly, the census forms NC-K1 and, if used, NC-K1-S will obtain depreciable asset data from the designated large firms in the wholesale trades.

(c) Some detailed information on spatial facilities in one or two lines of trade is collected in the petroleum bulk stations and the public warehousing reports of the census of business.

(d) The 1963 Census of Business will obtain wholesalers' square footage of storage space, classified between single- and multi-story building space.

C. INTANGIBLE ASSETS

1. Retail

(a) The monthly retail trade reports (A.1.b.) develop information on accounts receivable owned by retailers, reporting both totals and a division between charge and installment credit. These figures are republished in the annual retail trade report (A.1.a.). Some retailers include paper owned by financial subsidiaries, others do not. However, the Bureau of the Census is hopeful of resolving this problem of differences in reporting in the near future. Accounts payable assigned to banks and to other financial intermediaries are not shown.

(b) IRS corporate retail trade figures include notes and accounts receivable owned by retailers, stated both before and after reserve for bad debts. The reserve figure is somewhat overstated, however, since it includes reserves set up against real estate mortgage losses, a separate balance sheet item.

(c) The Robert Morris Associates' "Statement Studies" show accounts receivable and marketable securities owned.

2. Wholesale

(a) The quinquennial census report, "Wholesale Trade: Receivables and Bad Debt Losses," shows merchant wholesalers' yearend receivables resulting from sales of merchandise and services, broken down into detailed kind-of-business and geographic classifications.

(b) The Robert Morris Associates' "Statement Studies" publish the same data for wholesale firms as for retail firms, above.

D. TOTAL ASSETS

1. Retail

(a) The major source currently available is the Internal Revenue Service series, "Statistics of Income: Corporation Income Tax Returns." This series is based upon returns from all large corporations and a stratified random sample of known probability of returns from all other income and asset size strata.

The data are collected on a firm-by-firm basis. Assets are divided into the following major categories: (1) Cash, (2) notes and accounts receivable, (3) inventories, (4) investment in Government obligations, (5) other current, (6) loans to stockholders, (7) mortgage and real estate loans, (8) other investments, (9) depreciable assets, (10) depletable assets, (11) land, (12) intangible assets, and (13) other assets. Reserves are shown against items 2, 9, 10, 12. The taxpayers' own valuation and reserve procedures are used, provided that they are in apparently acceptable form for tax purposes.

(b) Census forms NC-K1 and NC-K1-S will request total assets and changes in depreciable and depletable assets, as well as capital expenditures. All of these will be in dollar terms. As noted approximately 1,200 large retail firms will be covered by these two forms, if both are used.

(c) The Dun & Bradstreet "14 Important Ratios" include some based upon the tangible net worth of the respondents.

(d) Partnership balance sheet data are published by the IRS every second year in its "U.S. Business Tax Returns." The series is prepared from reports from about 70 percent of all U.S. partnerships.

(e) The Robert Morris Associates' studies report, in addition to the figures cited above, cash, other current assets, net fixed assets, all other assets, and total assets.

2. Wholesalers

In general, the sources of total asset data for wholesalers are much the same as those indicated above for retailers.

GENERAL COMMENTS

There appear to be more complete data available for inventories than for other retail and wholesale trade assets. The greatest gaps in the existing data are:

(1) Little or no information about wealth *owned* in other sectors, but *used* in trade.

(2) Little or no information about physical asset units, except for data on wholesale square footage.

(3) Inadequate breakdowns of depreciable assets by asset type. Most series now available simply report a total depreciable asset figure.

(4) Inadequate information on an establishment basis. Even the available inventory data are, in many cases, on a firm basis.

(5) Variations and inconsistencies in valuation methods. This defect in the data probably can never be overcome completely. Nevertheless, the wealth inventory ideally should impose more order on the figures than now exists.

Various kinds-of-business classifications have been used by the reporting agencies, the differences to a large extent consisting of variations in the degree to which SIC classifications have been fanned out. Differences in classification also result from differences in the use of the firm or the establishment as a basis of classification. It would seem advisable to divide the wealth inventory data as finely as possible, so as to permit the resulting figures to be used, separately or in combination, as benchmarks for as many of the series as possible.

In view of the foregoing considerations, the group makes the following recommendations:

III. RECOMMENDATIONS

The working group strongly endorses the proposal for a national wealth inventory as a major contribution to our knowledge and understanding of the total national economy and to our understanding of distributive trade economics in particular. The group recommends specifically:

1. That the inventory be taken on an establishment basis at least within the distributive trades, and preferably within all economic sectors where this basis is feasible and meaningful. The use of the establishment as the basic unit has several advantages. It is consistent with available census data and with continuing census practice. Thus establishment statistics seem to have maximum utility for benchmark purposes. Furthermore, in view of the extent to which firms engage in several types of business through vertical, horizontal, and conglomerate integration, the establishment appears as a more homogeneous and useful unit for kind-of-business analyses. In addition, the establishment provides a better picture of the location of economic activity.

2. That the inventory report wealth used, as well as wealth owned, by the distributive trades. The group recognizes the existence of problems and difficulties in the collection of use statistics, but it feels that such data would be most helpful. The relatively high ratio of leased to owned capital employed in retail and wholesale trade, as compared with manufacturing and some other sectors, makes use statistics particularly valuable for these trades. Land, buildings, fixtures, display equipment, vehicles, data-processing equipment, and other assets are often leased. Some very meaningful analyses may rest upon the total of these assets used in trade, rather than upon just those that trading firms happen to own. The reporting of wealth used, in addition to wealth owned, will shed additional light on the results of what will be somewhat legalistic and technical classifications in the ownership census. (Thus, for many economic and business purposes, consigned merchandise serves as part of wholesale and retail inventories, yet the ownership census will have to ascribe this merchandise to the supplying sectors.) To be consistent, the use census should assign to the employing sectors the probably relatively small amounts of merchandise that are rented out or consigned to other sectors by wholesale and retail firms.

A. Ownership and wealth data may be obtained in two ways, either by asking the trade firms to divide the assets employed into the two categories or by asking the leasing sectors to report amounts leased to trade firms. Both approaches might fit into this study. Thus reports on total square footage used by wholesalers and retailers will cover both owned and leased space, but quite probably the typical establishment will belong in one or the other category, rather than consisting of a mixture of owned and leased space. The respondents might well be asked to indicate ownership status on the return. Figures obtained in this way can be checked against estimates derived from the reports of the real estate sector. Census form NC-K1 now requests annual rental payments, divided between rent for use of buildings and structures and rent for use of machinery and equipment (including trucks). Figures derived from this report may sug-

gest some relationships that could also be used as a check on reported relationships between owned and leased property. Some exploratory studies may well be needed to determine the most practical ways of gathering use data.

3. That the inventory should be conducted very largely in dollar terms. The group examined a number of physical units that are used for measurement in various trades, including gallonage, cubic footage, seating capacity, tonnage, number of pumps, number of vending units, and shelf space. Only two units appeared to be of sufficiently general applicability and relative use of mensuration to warrant recommendation. One is number of vehicles owned and used by type. The other, which would be very helpful for managerial analyses of market cultivation and other purposes is square footage of floorspace. Wholesalers seem to be considerably interested in a division of floorspace between space in single-story and in multi-story buildings; retailers seem less interested in having this classification reported. In various trades it would appear both useful and possible to subdivide space between selling, storage, and all other uses. It appears that footage figures would be desirable for practically all of the kinds of business discussed in recommendation 8, below.

4. That as a practical matter the dollar valuation of inventories should be conducted by whatever method the respondent can supply that most closely approximates cost or market, whichever is lower, based on FIFO assumptions. A special effort should be made to obtain an indication from the respondent of the method actually used, so as to facilitate any adjustments that may appear necessary in collating the reports. Book inventories should be reduced by an appropriate estimated shrinkage figure. Many large firms use the so-called retail method, in which the current selling prices of stocks on hand are reduced through subtraction of the firm's average initial markup for the classification of goods under consideration to determine computed cost figures. The deviation of the result from that which would obtain under the more traditional method of computation appears trifling. A large share, and perhaps all, of the relatively few trading firms that make LIFO adjustments to their inventory valuations would be able to report preadjustment FIFO figures without difficulty. Further, the group urges that in the selection of an inventory date, due recognition be given to seasonal and tax date fluctuations of distributive inventories. Merchandise in transit should be assigned on the basis of ownership. Although the in transit inventory probably will be only a small portion of total inventories in this and other sectors, it will present a problem that should be handled consistently in all the sectors where it arises.

5. That the valuation of other physical assets be conducted on the basis of acquisition cost, less depreciation, adjusted for price level changes. In order to obtain relatively uniform figures, the group would prefer to have the depreciation computed by the collecting agency, using Internal Revenue Service guideline annual rates of depreciation for each category of assets. Thus it is recommended, for example, that retail counters and fixtures be depreciated on a 10-year schedule. This would mean that acquisition date information would have to be collected for all depreciable assets. Price indexes would also be needed for each major asset category, but it is believed that

reasonably satisfactory indexes can be obtained from a variety of sources.

6. That the physical assets be broken down into the following categories:

(a) Merchandise inventory, measured in dollars.

(b) Land, measured in dollars and square footage.

To the extent that it is feasible, shopping center parking spaces, service areas, and access roads and other land that is used in common should be allocated between establishments in the assets used inventory possibly on the basis of the relative floorspace of the establishments themselves.

A better way of allocating parking space and access roads would appear to be on the basis of the relative dollar sales volume of the stores in the center. The extent to which the parking space is used by the customers of any one store would seem, roughly, to be the result of the number of transactions in that store multiplied by the average time per transaction. The dollar sales volume, of course, is a function of the number of transactions and the dollar size of the average transaction. Since time and dollar size per transaction are probably roughly correlated, dollar sales volume would give an approximate indication of relative utilization of the space.

Alternatively, if real estate is valued through capitalization of rentals, the nonincome producing portions of shopping centers and other structures will automatically be allocated on the basis of relative rents. One drawback to this alternative, in the case of shopping centers, is that a number of factors, of which the desirability of space is only one, enter into the determination of the individual tenant's rental rate per square foot. The nature of shopping center leasing would thus introduce some systematic bias into capitalized rental valuations. Nevertheless, the group feels that this method probably would deliver reasonably satisfactory figures.

(c) Buildings, measured in dollars and square footage of floorspace. (See recommendation No. 3 for comments.)

(d) Motor vehicles, measured in dollars and in number of vehicles, preferably divided between automobiles, trucks, and motorcycles.

(e) All other, measured in dollars. The group recognizes the difficulties of further subdivision within the "all other" category. Nevertheless, it would urge that, to the extent possible, perhaps within selected industries, this category should be broken down to show separate dollar figures for (i) processing and workroom equipment, (ii) materials handling equipment, (iii) furniture, sales fixtures, and display equipment, (iv) tabulating, data processing, and computing machinery, and (v) other.

7. That the retail and wholesale trades be defined to include all establishments within the "5" SIC classification. Manufacturers' sales offices and branches should be included within wholesale trade. Preparation of the inventory on an establishment basis would facilitate their inclusion.

Although the group is not unanimous on this point in view of the problems of noncomparability inherent in departing from past classi-

fication practices, several members very strongly urge that chainstore warehouses, which really perform a wholesaling function, ought to be included as part of wholesale trade. If this suggestion is followed, the warehouse figures should be reported in the first wealth inventory in a manner that will permit overlapping comparisons.

8. That the kinds-of-business classifications follow the 1963 Census of Business lines using about 12 to 15 divisions within retail trade and about 15 to 20 within wholesale trade. In retail trade, the group recommends the use of the major divisions: food; eating and drinking places; general merchandise; apparel; furniture and appliance; lumber, building materials, hardware and farm equipment; automotive; all other; plus fanned out figures for department stores, gasoline stations, drugstores, and probably furniture, lumberyards, liquor, and variety stores.

In wholesale trade the following divisions seem most appropriate: motor vehicles and automotive equipment; chemicals and allied products; drugs; dry goods and apparel; groceries and related products; farm products and raw materials; electrical goods; hardware; plumbing and heating supplies; machinery, equipment and supplies; metals and minerals; petroleum; scrap and waste materials; tobacco and tobacco products; beer, wine, and alcoholic beverages; paper and paper products; furniture and home furnishings; lumber and construction materials; all other.

9. That geographic breakdowns be provided to the fullest extent possible. In both the wholesale and retail trades, for most managerial purposes, standard metropolitan area breakdowns are more meaningful than State-by-State breakdowns, and so the group recommends that SMSA classifications be used in preference to, or in addition to State ones. Nevertheless, the group also recognizes the extra costs involved in collecting and preparing geographical analyses, particularly if sample studies are used as suggested below. If a choice has to be made the group would sacrifice geographic detail for kind-of-business detail. Consideration should also be given to the merits of collecting only selected items, such as floor space, from large groups or from the total population, so as to permit geographic breakdowns or to confining the geographic breakdown to selected metropolitan areas.

10. That insofar as is consistent with the foregoing recommendations, sampling techniques be used to obtain data from the large population of small businesses in the distributive trades.

11. That breakdowns between single-unit and multiunit firms would be desirable, at least for the retail trades if the data can be obtained without too much difficulty. Probably organizations with four or more establishments should be considered multiunits although a "10 or more" cutoff would also be satisfactory. However, the classification of franchised and nonfranchised firms that is used in some enumerations of automobile dealers does not seem easily extendable to other trades.

12. That insofar as is possible, the data collected, tabulated, and preserved in a fashion that will facilitate supplementary analyses such as conceivable distributions by asset size, by ratio of owned to leased assets, and by income/asset ratio.

13. The group has not prepared recommendations on the handling of intangible assets. It does wish to note problems in treatment of assigned financial claims. It also wishes to note the importance in business and economic life of such intangibles as good will and human ability, although it recognizes the impracticality of expressing these assets in dollar terms in the national inventory.

14. That although existing sources of data should be utilized where available and satisfactory, the Bureau of the Census is the logical primary collecting agency. The Bureau's experience, talent, and public respect particularly equip it to deal with the problems and difficulties of the inventory.

