Volume Title: Financial Intermediaries in the American Economy Since 1900

Volume Author/Editor: Raymond W. Goldsmith

Volume Publisher: Princeton University Press

Volume ISBN: 0-870-14101-5

Volume URL: http://www.nber.org/books/gold58-1

Publication Date: 1958

Chapter Title: Financial Intermediaries as Outlets of Individuals

Chapter Author: Raymond W. Goldsmith

Chapter URL: http://www.nber.org/chapters/c2586

Chapter pages in book: (p. 277 - 296)

CHAPTER VIII

FINANCIAL INTERMEDIARIES AS OUTLETS OF INDIVIDUALS' FUNDS

In Chapter VII we looked at the assets of financial intermediaries from the point of view of the debtors of financial intermediaries (the issuers of the securities they acquired). In this chapter we shall look at their liabilities (the sources of their funds). That is, we shall observe the position of the claims against financial intermediaries (or the securities they issued) within the balance sheets of certain groups of their depositors[1] or shareholders.

Of course, the picture so obtained does not fully reveal the relations between depositors and financial intermediaries. One class of intermediaries—in this country the Federal Reserve and commercial banks—has the primary function of supplying society with money. The importance of these institutions to individual depositors is not measured by the proportion of deposits to depositors' total assets. Life insurance companies furnish protection in addition to providing an outlet for saving. Other intermediaries act as depositors' financial advisors. Although depositors' balance sheets afford no measure of these special services, they do show the importance of the deposits within the depositors' total assets.

Over the long view back, we have to be content with rough figures for large aggregates. It is only for the last few years that we can study the importance of claims against financial intermediaries for individuals grouped by wealth and income level, occupation, and age.

1. *Trends during the First Half of the Twentieth Century*

a. IMPORTANCE OF CLAIMS AGAINST FINANCIAL INTERMEDIARIES AMONG TOTAL ASSETS OF HOUSEHOLDS

For the period as a whole, the analysis concerns "all households," inclusive of farms and of other unincorporated enterprises. The data do not permit detailed analysis for farm households and noncorporate business separately: it is particularly difficult to segregate

[1] The term "depositor" includes not only the holders of claims in the narrow sense of the word, but also the policy holders of insurance contracts, the beneficiaries of pension contracts, personal trust funds and similar arrangements, and the holders of claims against savings and loan associations and credit unions which are clothed in the legal form of a share holding.

certain important categories such as bank deposits. The claims of government and business corporations, on the other hand, are known with reasonable accuracy. They consist almost exclusively of demand deposits with commercial banks and generally represent only a small proportion of the depositors' total assets. Since these deposits are held primarily to facilitate current transactions and secondarily as a liquid reserve, there is little point in studying their share in the total assets of business corporations and of governments here.[2]

Among assets of households and unincorporated business enterprises, the share of claims against financial intermediaries has increased during most of the last fifty years. The increase was substantial for the period as a whole, rising from 11 per cent at the turn of the century to 27 per cent in 1949 (see Table 80).

The rate of increase, however, varied greatly. The pace was slow between 1922 and 1929 and between 1939 and 1949. Both were periods in which the prices of stocks and of real estate, the two largest single assets of individuals, rose sharply. The most pronounced increase occurred during the Great Depression. This again was the result primarily of valuation changes, in this instance the precipitous decline in the price of stocks and real estate. The upward trend continued at a rather rapid pace through the remainder of the thirties, reaching 28 per cent in 1939 although stock and real estate prices had recovered. This development may be attributed first to the concentration of current saving during this period in claims against financial intermediaries, particularly insurance institutions, and second to the expansion of bank credit, which was reflected in an increase of the share of individuals' bank deposits in their total assets. The increase during World War II was smaller than might have been expected in view of the huge expansion of the claims structure of the economy. Large-scale acquisition of government bonds by individuals, and higher prices of stocks and real estate, appear to have offset the effects of that expansion on the distribution of individuals' assets. The first four years after World War II witnessed the first decline in the ratio, in part a reflection of the substantial rise of real estate prices.

The upward trend in the over-all ratio of claims against financial intermediaries to individuals' total assets combines slight or no increases in some components and sharp rises in others. To the

[2] The relevant figures may be found in *A Study of Saving . . .*, Vol. III, Part I.

TABLE 80

Share of Financial Intermediaries in Total Assets of Households,[a] by Type of Claim
(per cent)

		DEPOSITS				INSURANCE RESERVES				
							Pension and Retirement Funds			SECURITIES
END OF YEAR	TOTAL (1)	Commercial Banks (2)	Mutual Savings Banks (3)	Savings and Loan Associations (4)	Other (5)	Life Insurance (6)	Private (7)	Government (8)	PERSONAL TRUST FUNDS[b] (9)	OF INVEST-MENT COMPANIES (10)
1900	10.9	3.3	2.4	0.4	..	1.6	..	0	3.2	..
1912	13.4	4.6	2.1	0.5	0	2.3	..	0	3.9	..
1922	16.3	6.1	1.7	0.7	0	2.5	0	0.1	5.1	0
1929	17.9	4.9	1.7	1.2	0	3.3	0.1	0.3	5.7	0.5
1933	23.7	5.0	2.7	1.5	0.4	5.9	0.2	0.8	7.0	0.3
1939	27.8	6.4	2.5	1.0	0.4	7.0	0.3	1.5	8.4	0.3
1945	29.0	9.5	2.0	1.0	0.5	5.9	0.4	3.4	6.0	0.3
1949	27.1	7.8	1.9	1.2	0.4	5.9	0.6	3.9	5.0	0.3

[a] Includes unincorporated business enterprises.
[b] Includes only those administered by banks and trust companies.

Source: Figures derived as described below divided by total assets of households from *A Study of Saving . . .*, Vol. III, Tables W-9 to W-16.

Column	Source
1	Sum of cols. 2 to 10.
2	Sum of Table A-3 (Appendix A), lines 38, 39 and 41, and Table A-4, lines 29, 30 and 32.
3	Table A-5, line 30.
4	Table A-19, line 20.
5	Postal savings and credit union deposits (Table A-6, line 6, and Table A-20, line 16).
6	Sum of Table A-8, lines 33 and 34, Table A-9, line 25, and Table A-14, line 14.
7	Table A-10, line 10.
8	Table A-11, line 12.
9	Table A-16, line 17.
10	Sum of outstanding bonds and market value of stock of management investment companies from Table A-21, line 23, and Table F-14 (Appendix Supplement), line 1, and net worth of installment investment companies derived according to the procedure described in notes to Table A-21, line 25.

first group belongs savings bank deposits, which remained close to 2 per cent of total assets throughout the period, and the assets of personal trust departments, whose share advanced only from 3 to 5 per cent (a pronounced decline after 1939 offset most of the slow advance in the preceding forty years). To the second group belong insurance reserves and deposits in commercial banks and in savings and loan associations, components with a rapidly increasing share in individuals' total assets.

The share of commercial bank deposits increased most markedly between 1900 and 1922 and from 1933 to 1945, but decreased in the twenties and after World War II. The share of deposits with savings and loan associations increased during the twenties and after 1945, but declined during the late thirties. Reserves with private insurance and pension organizations increased sharply; those with governmental pension and retirement funds, negligible until World War I, reached 4 per cent of households' total assets by 1949. The combined rise of these reserves accounted for over half of the increase for all claims against financial intermediaries. All other forms of claims showed a definite—though not spectacular or rapid—increase.

b. IMPORTANCE OF CLAIMS AMONG TAXABLE ESTATES

The only historical data on the share of claims against financial intermediaries in total assets for large groups of individuals are provided by the estate tax returns available since 1922.[3] These returns show the main types of assets in taxable estates of decedents. (The exemption limit has fluctuated between $40,000 and $100,000.) The asset structure reported in these returns cannot be equated with that for the estates of the living, since death rates increase with age and the distribution of an estate among different types of assets is systematically related to the age of the owner.[4] But for the determination of trends in the structure of claims against financial intermediaries in sizable estates over the last quarter of a century, the estate tax returns probably provide an adequate basis. Unfortunately, the returns do not show separately all types of

[3] On the character of the data and the difficulties of deriving from them estimates of all estates above the tax exemption limit, see *A Study of Saving . . .*, Vol. III, Part III, Chapter II.

[4] Comparison for 1944 between estate tax returns and the estimated estates of the living, which is made possible by *A Study of Saving . . .*, Vol. III, Tables E-24 and E-53, indicates that the distributions, though differing in detail, show the same main characteristics, particularly for claims against financial intermediaries.

claims. They fail to identify assets administered by personal trust departments or, until the early forties, to separate "cash" (which may be presumed to consist mostly of deposits in financial institutions) from currency, notes, and mortgages (which do not generally constitute claims against financial intermediaries). Finally, they include the face value rather than the reserve value of life insurance contracts. This is appropriate for estates of decedents but would lead to overestimation of the share of life insurance in total assets if applied without adjustment to the estates of the living.[5]

For all estate tax returns together, the proportion of cash (including notes and mortgages) and of life insurance declines substantially between 1922 and 1929, rises sharply to 1939, and shows no substantial changes between 1939 and 1948 (see Table 81). After 1929 these movements are similar to those disclosed in the combined balance sheets of all households discussed in the preceding subsection. Between 1922 and 1929, however, the share of ascertainable claims against financial intermediaries (cash and life insurance) declines sharply for estates subject to estate tax, while it remains virtually unchanged for all individuals' assets (Table 80). The discrepancy is probably due to the much higher share of stocks (which increased greatly in price) in the larger estates.

The increase in the share of cash and life insurance between 1922 and 1948 shown in estate tax returns is somewhat smaller than the increase derived from all households' claims against financial intermediaries (Table 80). But if comparison is limited to all households' deposits with financial intermediaries and life insurance reserves (to approximate the scope of the estate tax returns), the increase is of the same order of magnitude for both. This suggests that the trend in the share of claims against financial intermediaries was roughly the same for large as for small estates.

The estate tax returns also afford information by size of estate. The share of claims against financial intermediaries was markedly higher in 1948 than in 1922 for all estate classes shown in Table 81, but the movements over the last quarter of a century differed considerably as between size groups of estates.

For estates of less than $300,000, cash and life insurance reached their highest proportion in 1939. For larger estates the increase continued through 1948, except that for estates between $1 million and 2 million the peak was reached in 1944. Between 1939 and 1948

[5] For this problem and possibilities of adjustment see *A Study of Saving . . .*, Vol. III, Part III, Chapter II, 2.d.

TABLE 81

Share of Cash and Life Insurance in Total Assets of Estates, by Size of Estate, Selected Years

(per cent of total gross estate)

ESTATE SIZE	1922	1929	1939	1944	1948[a] A	1948[a] B
			Cash and life insurance[b]			
Under $100,000[c]	22.8	22.6[e]	30.4	28.5	27.5	23.1
$100,000-199,000	20.6	19.9[f]	26.8	26.0	24.2	20.0
200,000-299,000	17.0	18.0	21.9	21.6	21.8	17.5
300,000-499,000	14.1	14.8	17.1	18.4	18.5	15.2
500,000-999,000	10.5	12.5	14.1	14.4	14.9	12.5
1-1.9 million	10.5	8.7	11.6	13.8	12.6	10.2
2-4.9 million	9.3	6.5	9.5	9.9	12.6	11.5
5 million and over	5.7	4.2	4.7	7.8	13.1	12.4
All estates[c,d]	16.0	12.8	21.0	20.1	20.6	17.2
			Cash[b]			
Under $100,000[c]	19.4	17.8[e]	22.0	18.3	18.2	13.8
$100,000-199,999	16.7	15.1[f]	18.4	15.9	16.0	11.8
200,000-299,999	14.2	13.7	15.7	12.9	14.7	10.4
300,000-499,999	10.8	11.2	11.9	12.0	12.1	8.8
500,000-999,999	8.6	9.5	10.8	10.0	10.7	8.3
1-1.9 million	7.9	6.3	9.0	10.9	10.1	7.7
2-4.9 million	8.4	5.2	8.0	7.7	11.3	10.2
5 million and over	5.3	3.8	4.6	6.5	11.8	11.1
All estates[c,d]	12.9	9.7	15.0	13.2	14.3	10.9
			Life insurance			
Under $100,000[c]	3.4	4.8[e]	8.4	10.2	9.3	
$100,000-199,999	3.9	4.8[f]	8.4	10.1	8.2	
200,000-299,999	2.8	4.3	6.2	8.7	7.1	
300,000-499,999	3.3	3.6	5.2	6.4	6.4	
500,000-999,999	1.9	3.0	3.3	4.4	4.2	
1-1.9 million	2.6	2.4	2.6	2.9	2.5	
2-4.9 million	0.9	1.3	1.5	2.2	1.3	
5 million and over	0.4	0.4	0.1	1.3	1.3	
All estates[c,d]	3.1	3.1	6.0	6.9	6.3	

[a] Col. *A* includes notes and mortgages; col. *B* excludes them.

[b] Includes notes and mortgages, except in col. *B* for 1948.

[c] Lower limit is $50,000 of gross estate in 1922, $100,000 in 1929, $40,000 in 1939, and $60,000 in 1944 and 1948.

[d] Includes, except for 1948, a small number of nontaxable estates not shown separately.

[e] Under $150,000.

[f] $150,000 to $200,000.

Year	Source
1922-1944	***A Study of Saving*** . . . , Vol. III, Tables E-21 to E-24.
1948	Unpublished Bureau of Internal Revenue tabulation.

the share of cash and life insurance declined slightly for estates under \$300,000, increased moderately for those between \$300,000 and \$2 million, and rose sharply for those exceeding \$2 million. As a result, the inverse relationship between estate size and the proportion of total assets accounted for by cash and life insurance was much less pronounced in 1948 than it had been in 1922. In that year the proportion in the lowest estate class was four times as high as in the top class; in 1948 it was only twice as high.

The estate tax data, notwithstanding the many reservations which must qualify their use, suggest that during the last quarter of a century the share of claims against financial intermediaries in estates of more than \$50,000 to \$100,000 increased, although not spectacularly. They also indicate that the negative correlation between size of estate and share of claims against financial intermediaries has become less pronounced. This means that larger estates have tended to become more similar to smaller estates with respect to the share represented by claims against financial intermediaries.

2. *Share of Claims against Financial Intermediaries in Assets of Different Types of Households*

For the last few years the importance of claims against financial intermediaries for persons who differ in net worth, income, occupation, or age can be studied through material on the assets and liabilities of households collected by the Survey of Consumer Finances, particularly for early 1950.[6] The 1944 balance sheet for all estates of more than \$60,000, derived from estate tax returns, supplements the distributions by net worth and by age.[7]

We want to know whether significant differences exist in the extent to which various groups in the population make use of all financial intermediaries and of specific institutions as outlets for their funds (as depositories for, and administrators of, their savings). The data now available permit us to see the outline of the

[6] The Survey reports blown-up figures derived from a sample of about 3,500 households. Methods and main results are described in *A Study of Saving . . .*, Vol. III, Part I. Since some forms of assets are not covered by the Survey (particularly currency, equity in government pension and retirement funds, and personal trust funds) and others are known to be substantially underestimated (particularly liquid assets), an attempt at adjustment has been made in Tables 82, 87, and 88. The adjustments are perforce very rough, but seem necessary in gauging the position of claims against financial intermediaries in the asset structure of different groups of households.

[7] For methods of derivation and results see *A Study of Saving . . .*, Vol. III, Part III.

answer with reasonable clarity, but do not yet provide the detail or the accuracy desirable for a thorough analysis.

a. SHARE OF TOTAL CLAIMS

1. *By Net Worth of Household.* The share of aggregate claims against financial intermediaries varies inversely with the size of total assets or net worth of households. This is evident both in the Survey of Consumer Finances data which underlie Tables 82 to 84 and in the estate tax returns summarized in Table 85. The share of claims against financial intermediaries declines from over two-fifths in estates of less than $1,000 (excluding cases in which net worth is negative or zero and unadjusted) to about one-fifth for

TABLE 82

Share of Claims against Financial Intermediaries for Households Grouped by Size of Net Worth or Income, Early 1950

(per cent of assets)

		UNADJUSTED	
		U.S. Govt. Securities:	
NET WORTH OR INCOME	ADJUSTED (1)	*Excluded* (2)	*Included* (3)
A. Net worth:			
Under $500[a]	20	..	43
$500- 999	43	..	47
1,000- 1,999	42	..	43
2,000- 4,999	39	..	34
5,000- 9,999	32	..	27
10,000-24,999	26	..	24
25,000-59,999	24	..	22
60,000 and over	30	..	17
All households	29	..	24
B. Income:			
Under $1,000	17	15	19
$1,000-1,999	25	17	23
2,000-2,999	30	21	28
3,000-3,999	31	21	27
4,000-4,999	32	22	28
5,000-7,499	29	19	25
7,500 and over	30	15	20
All households	29	18	24

[a] Includes negative net worths.

Column	Source
1	Derived from Table 83, cols. 6 and 10.
2-3	Derived from Table 84, col. 2 for net worth, cols. 2 and 6 for income.

TABLE 83

Relation of Claims against Financial Intermediaries and of Total Assets for Households, by Size of Net Worth or Income, Early 1950

(billions of dollars)

NET WORTH OR INCOME	TOTAL ASSETS						FINANCIAL INTERMEDIARY ASSETS			
		Adjustments[a]						*Adjustments*		
	Unadjusted[b] (1)	*50% of Liquid Assets and Stock* (2)	*Govt. Pension and Trust Funds* (3)	*Personal Trust Funds* (4)	*Currency* (5)	*Adjusted* (6)	*Unadjusted*[c] (7)	*50% of Cash etc.* (8)	*Govt. Pension and Govt. and Personal Trust Funds* (9)	*Adjusted* (10)
Net worth:										
Negative	2.0	0	0.2	. .	0.9	3.1	0	0	0.2	0.2
Under $500	2.0	0.2	0	. .	2.5	4.7	1.4	0	0	1.4
$500- 999	4.0	0.3	0.3	. .	1.4	6.0	2.1	0.2	0.3	2.6
1,000- 1,999	11.0	1.1	1.8	. .	1.9	15.8	4.0	0.9	1.8	6.7
2,000- 4,999	38.0	3.4	7.1	1.0	3.5	53.0	10.4	2.0	8.1	20.5
5,000- 9,999	79.0	6.7	9.4	1.0	3.7	99.8	17.1	4.1	10.4	31.6
10,000-24,999	162.0	13.8	11.0	1.0	4.7	192.5	29.8	7.8	12.0	49.6
25,000-59,999	135.0	13.5	5.0	2.0	2.8	158.3	23.0	7.3	7.0	37.3
60,000 and over	180.0	26.1	1.1	45.0	1.9	254.1	24.2	6.7	46.0	77.0
All households	613.0	65.1	35.9	50.0	23.3	787.3	112.0	29.0	85.9	226.9
Income:										
Under $1,000	39.0	3.0	0.3	0.7	2.8	45.8	5.2	1.7	1.0	7.9
$1,000-1,999	47.0	4.2	2.5	1.5	3.7	58.9	8.1	2.6	4.0	14.7
2,000-2,999	72.0	7.6	6.5	1.4	4.7	92.2	15.3	4.4	7.9	27.6
3,000-3,999	84.0	8.0	9.5	1.4	4.0	106.9	18.3	4.4	10.9	33.6
4,000-4,999	66.0	6.0	6.2	1.8	2.6	82.6	15.0	3.2	8.0	26.2
5,000-7,499	107.0	9.0	6.9	3.7	3.0	129.6	22.0	5.2	10.6	37.8
7,500 and over	188.0	27.3	4.0	39.5	2.3	261.1	27.7	7.5	43.5	78.7
All households[d]	603.0	65.1	35.9	50.0	23.3	777.3	112.0	29.0	85.9	226.9

(continued on next page)

(Notes to Table 83)

[a] Does not cover all assets omitted from col. 1. (For example, in net worth no allowance is made for corporate bonds, mortgage holdings, consumer durables other than cars, and loans between individuals.)

[b] Survey of Consumer Finances.

[c] Survey of Consumer Finances definition.

[d] Includes unascertained cases.

Column	Source for Net Worth
1	From *A Study of Saving* . . . , Vol. III, Table W-49, col. 11.
2	Estimated at 50 per cent of blow-up value of liquid assets and stock as given *ibid.* The adjusted ratio is based on the fact that the blow-up figure for liquid assets is about one-third below the corresponding figure shown in comprehensive statistics (see *Federal Reserve Bulletin*, 1950, pp. 808, 1585) and the assumption that a similar ratio of understatement prevails for stock.
3	The total of $36 billion is the difference between the blow-up value of $10 billion for contributory retirement funds and a total of $46 billion for total assets of all government and private social insurance, pension and retirement funds as shown in Occasional Paper No. 42 (National Bureau of Economic Research, 1954), p. 26, for the end of 1949. The total has been distributed among net worth classes on the basis of the distribution of retirement fund reserves derived from the Survey of Consumer Finances, adjusted for the likelihood that the share of low net worth classes is somewhat higher in government than in private pension and retirement funds.
4	Nine-tenths of the total as estimated in Appendix Table A-16 is allocated to estates of over $60,000 on the basis of the fact that only 7 per cent of the income reported by taxable fiduciaries for 1948 (*Statistics of Income for 1948, Part I,* Preliminary Report, Table 6) was attributable to estates with an income of less than $3,000, which may be assumed to correspond roughly to estates with a principal of less than $60,000. Distribution of remaining 10 per cent among net worth classes below $60,000 is arbitrary.
5	Total, as given in *A Study of Saving* . . . , Vol. I, Table L-3, col. 5, distributed on the basis of proportion of different net worth classes in population and liquid assets (weighted 3 to 1 respectively), as shown in *A Study of Saving* . . . , Vol. I, Table Z-23.
6	Sum of cols. 1 through 5.
7	Derived from *A Study of Saving* . . . , Vol. III, Table W-49 and supplementary worksheets. Includes cash, life insurance reserves and retirement fund reserves. Distribution among net worth classes based on distribution of liquid assets (including U.S. government securities), life insurance reserves and retirement fund reserves, weighted according to their proportion in the total.
8	Total derived from Survey of Consumer Finances data. Distribution based on that for all liquid assets.
9	Sum of cols. 3 and 4.
10	Sum of cols. 7, 8 and 9.

286

Column	Source for Income
1	From *A Study of Saving* . . . , Vol. III, Table W-46, col. 11.
2	Estimated at 50 per cent of blow-up value of liquid assets and stock as given in *A Study of Saving* . . . , Vol. III, Table W-46. (See Table V-9, col. 2.)
3	The total of $36 billion is the difference between the blow-up value of $10 billion for contributory retirement funds and a total of $46 billion for total assets of all governmental and private social insurance, pension and retirement funds as shown in Occasional Paper No. 42, p. 26, for the end of 1949. The total is distributed among income classes on the basis of the distribution of retirement fund reserves derived from Survey of Consumer Finances (see *A Study of Saving* . . . , Vol. I, Table Z-19).
4	Total, as estimated in Appendix Table A-16, distributed among income classes on basis of distribution of income from estates and trusts reported in individual tax returns for 1948 (*Statistics of Income for 1948, Part I*, Preliminary Report, Table 2).
5	Total, as given in *A Study of Saving* . . . , Vol I, Table L-3, col. 5, distributed on the basis of proportion of different income classes in population and liquid assets (weighted 3 to 1 respectively), as shown in blow-up of Survey of Consumer Finances data (see *A Study of Saving* . . . , Vol. I, Table Z-23).
6	Sum of cols. 1 through 5.
7	Derived from *A Study of Saving* . . . , Vol. III, Table W-46, col. 11. Includes cash, life insurance reserves and retirement funds reserves. Distribution among income classes is based on distribution of total liquid assets (including U.S. government securities), life insurance reserves and retirement fund reserves, weighted according to their proportion in the total (see *A Study of Saving* . . . , Vol. I, Table Z-19).
8	Total derived from Survey of Consumer Finances data. Distribution based on distribution for all liquid assets.
9	Sum of cols. 3 and 4.
10	Sum of cols. 7, 8 and 9.

288

TABLE 84

Share of Claims against Financial Intermediaries in Total Assets of Spending Units, by Size of Net Worth or Income and by Type of Claim, Early 1950

(per cent of total assets, except col. 1)

NET WORTH OR INCOME[a]	PERCENTAGE OF SPENDING UNITS (1)	TOTAL CLAIMS (2)	LIQUID ASSETS				INSURANCE RESERVES	
			Total[b] (3)	*Checking Accounts* (4)	*Savings Accounts*[c] (5)	*U.S. Govt. Securities* (6)	*Life Insurance* (7)	*Retirement Funds* (8)
Net worth:								
Under –$50	5	31	6	..	..	..	19	6
–$50- +50	6	40	6	..	..	..	30	4
100- 400	9	58	16	..	..	..	40	2
500- 900	8	47	16	..	..	..	27	4
1,000- 1,900	10	43	20	..	..	..	18	5
2,000- 4,900	17	34	17	..	..	..	12	5
5,000- 9,900	17	27	16	..	..	..	8	3
10,000-24,900	18	24	15	..	..	..	7	2
25,000-59,900	7	22	16	..	..	..	5	1
60,000 and over	3	17	11	..	..	..	6	0
All spending units	100	23	14	..	..	..	7	2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Income[a]:								
Under $1,000	14	15	14	2	8	4	5	0
$1,000-1,999	19	17	17	4	7	6	6	0
2,000-2,999	21	21	19	4	8	7	8	1
3,000-3,999	18	21	15	3	7	6	8	3
4,000-4,999	11	22	15	3	6	6	9	4
5,000-7,499	11	19	15	3	6	6	9	2
7,500 and over	5	15	12	4	4	5	6	1
All spending units	100[d]	18	14	3	6	6	7	2

[a] Money income (1949) before taxes.
[b] For net worth, includes savings and loan associations and credit unions.
[c] Includes savings and loan associations and credit unions.
[d] Includes 1 per cent unascertained.
Source: For net worth, derived from *A Study of Saving . . .*, Vol. I, Tables Z-21 and Z-23. For income, derived from Tables Z-19 and Z-23 (*ibid.*) and unpublished Survey of Consumer Finances tabulations.

TABLE 85

Share of Cash and Life Insurance in Total Assets of Estates over $60,000, by Size of Estate, 1944
(per cent of gross estate)

Gross Estate	*Cash and Life Insurance* (1)	*Cash* (2)	*Life Insurance (Face value)* (3)
$60,000- 80,000	20.7	14.4	6.3
80,000-100,000	19.8	13.1	6.7
100,000-150,000	18.4	11.6	6.8
150,000-200,000	17.4	11.4	6.0
200,000-300,000	14.4	9.1	5.3
300,000-500,000	12.1	7.9	4.2
500,000-1 million	10.2	7.5	2.7
1-2 million	8.2	6.4	1.8
2-5 million	8.1	6.6	1.5
5 million and over	4.4	4.0	0.4
Total[a]	13.8	9.4	4.4

[a] Includes very small amounts in estates under $60,000.
Source: *A Study of Saving . . .*, Vol. III, Table E-56.

estates of over $60,000 (Table 82). The decline continues within the group of large estates (Table 85). The adjusted figures (Table 82) show a higher level of the ratios, since they include some important types of assets not covered by the Survey. The relationship between the share of claims against financial intermediaries and total net worth, however, is similar to that shown by the unadjusted Survey data. The exception is the higher ratio for estates of over $60,000 than for those of $10,000 to $60,000, which primarily reflects the concentration of personal trust funds, which are not included in the Survey data, among large estates.

2. *By Income.* The share of claims against financial intermediaries is higher for households in the middle income groups (between $2,000 and $7,500) than for those with very low or very high incomes (Tables 82 to 84). This relation reflects the fact that the shares of life insurance reserves, equity in retirement funds, and savings deposits reach peaks in the middle income levels. When adjusted figures are substituted, the level of the ratios is substantially higher, but no decline is noticeable for the top income group. This is due, as was true of the distribution among wealth groups, to the concentration of personal trust funds among households near the upper end of the scale.

3. *By Occupation.* The share of claims against financial intermediaries varies considerably with the occupation of the head of the household, and probably not mainly because of differences in income (Table 86). The share is relatively high for white-collar, manual and professional workers, and low for managerial and self-employed persons, particularly farm operators.

It is not possible to allocate the assets not covered in the Survey of Consumer Finances tabulations by occupation or age, and hence not possible to duplicate Table 84 for those two classifications. Probably, however, the inclusion of personal trust funds and of equity in government pension and retirement funds would increase considerably the share of claims against financial intermediaries in the total assets of retired individuals. This increase might well be large enough to make the ratio for retired individuals the highest for that of any of the main occupational groups. The relative position of managerial and self-employed persons would probably change in the same direction.

4. *By Age.* For the population as a whole, the data show no clear differences in the importance of claims against financial intermediaries according to age of the head of the household (Table 87). Within the top wealth group, however (estates of more than $60,000), the share of claims against financial intermediaries seems to reach a fairly well marked peak in the age groups between fifty and sixty-five years (see Table 88).

b. KIND OF CLAIM

1. *Demand Deposits.* The share of demand deposits in total assets varies only between 2 and 4 per cent among income or occupational groups.[8] It is lowest for manual workers and for income under $1,000. More unexpected is the fact that it does not appear to be substantially higher for the upper income groups or for the occupational groups with relatively high income and assets, such as managerial, self-employed, and professional households.

2. *Savings Deposits.* The share of savings deposits varies considerably more (between 3 and 10 per cent of total assets).[9] It is lowest for farm operators, probably because mutual savings banks, savings and loan associations, and credit unions are rarely found in rural

[8] No information is available on the distribution of demand deposits and time deposits by net worth or age groups.

[9] In addition to savings deposits with commercial and mutual savings banks, this category includes deposits with the postal savings system and deposits with or shares in savings and loan associations and credit unions.

TABLE 86

Share of Claims against Financial Intermediaries in Total Assets of Spending Units, by Occupation of Head of Unit, Early 1950
(per cent of total assets, except col. 1)

OCCUPATION	PERCENTAGE OF SPENDING UNITS (1)	TOTAL CLAIMS[a] (2)	LIQUID ASSETS: *Total* (3)	LIQUID ASSETS: *Checking Accounts* (4)	LIQUID ASSETS: *Savings Accounts* (5)	LIQUID ASSETS: *U.S. Govt. Securities* (6)	INSURANCE RESERVES: *Life Insurance* (7)	INSURANCE RESERVES: *Retirement Funds* (8)
Professional and semi-professional	7	24	18	4	6	8	9	5
Managerial	4	18	15	3	4	4	9	3
Self-employed	8		10				6	0
Clerical and sales	13	27	20	4	9	7	10	4
Skilled and semiskilled	28	23	15	2	9	4	9	3
Unskilled and service	12	26	17	2	10	5	11	3
Farm operator	9	10	10	4	3	3	3	0
Retired	5	18	25	4	8	13	6	0
All other	14	20	19	4	7	8	7	2
All occupations	100	18	14	3	6	6	7	2

[a] Excluding United States government securities.

Source: Derived from *A Study of Saving* . . . , Vol. I, Tables Z-20 and Z-23 and worksheets.

TABLE 87

Share of Claims against Financial Intermediaries in Total Assets of Spending Units, by Age of Head of Unit, Early 1950
(per cent of total assets, except col. 1)

AGE	PERCENTAGE OF SPENDING UNITS (1)	TOTAL CLAIMS (2)	LIQUID ASSETS (3)	INSURANCE RESERVES *Life Insurance* (4)	INSURANCE RESERVES *Retirement Funds* (5)
18-24	10	23	18	3	2
25-34	23	22	14	5	3
35-44	22	21	13	6	2
45-54	18	26	15	9	2
55-64	14	21	12	8	1
65 and over	12	27	19	8	0
All age groups	100[a]	23	14	7	2

[a] Includes 1 per cent unascertained.
Source: Derived from *A Study of Saving* . . . , Vol. I, Tables Z-22 and Z-23.

TABLE 88

Share of Cash and Life Insurance in Total Assets of Estates over $60,000, by Age of Owner at Death, 1944
(per cent of gross estate)

Age at Death	*Cash and Life Insurance*	*Cash*	*Life Insurance (Face Value)*
20-29	9.0	7.8	1.2
30-39	9.4	7.5	1.9
40-49	14.4	10.0	4.4
50-54	16.0	9.1	6.9
55-59	15.8	9.1	6.7
60-64	15.3	9.5	5.8
65-69	13.9	9.6	4.3
70-74	14.0	10.6	3.4
75-79	13.1	10.7	2.4
80-84	12.3	10.1	2.2
85 and over	10.3	9.3	1.0
All estates	13.8	9.4	4.4

Source: *A Study of Saving* . . . , Vol. III, Table E-60.

areas. The share is highest—between 8 and 10 per cent—for manual and clerical workers and for retired persons.

There appears to be an inverse relationship between the degree of financial "sophistication" of a group and the share of savings deposits among its total assets. It may reflect the fact that savings deposits are standardized, are regarded as particularly safe by a large part of the population, but at the same time yield some interest and generally require no minimum balance. This explanation, suggested by the occupational differences in the ratio of savings deposits to total assets, is confirmed by the variations among income groups of households. The ratio is highest for households with an income of less than $4,000 and is noticeably lower when the income exceeds $7,500. The inverse relationship between size of estate and the proportion of "cash" (including both saving and demand deposits) among assets of over $60,000 shown in estate tax returns (Table 85) may be regarded as pointing in the same direction.

3. *Life Insurance.* The proportion of life insurance reserves to total assets shows a definite negative correlation with total assets or net worth. The ratio averages almost one-third for households with a net worth of less than $1,000,[10] representing more than one-fourth of all households (Table 84). It then declines rapidly along an ascending scale of net worth until about the $10,000 level, where life insurance represents approximately one-twelfth of total assets. Another sharp decline in the share of life insurance in assets apparently starts only when total assets exceed about a quarter of a million dollars (Table 81).

The share of life insurance reserves in total assets varies much less with income, although a peak can be observed for households with income between $4,000 and $7,500. Differences in the ratio are again considerable as between occupations. The ratio is lowest (only about 3 per cent) for farmers and highest (about 10 per cent) for manual and white-collar workers, closely followed by the professional and managerial groups. Self-employed and retired persons (about 6 per cent) occupy an intermediate position.

The ratio, as expected, also shows a definite connection with age. It increases markedly up to the middle fifties and then declines slowly, both for estates under $60,000 (Table 87) and for estates above that level (Table 88).[11]

[10] The high level of the ratio is due to the fact that the Survey of Consumer Finances does not cover consumer durables, which probably bulk large among the assets of households low in net worth.

[11] The proportion of aggregate life insurance reserves to total assets of house-

4. *Pension Funds.* The allocation of the equity in government and private pension funds among households of different net worth, income, or age, presents great difficulties, even if it is assumed that the aggregate equity is equal to the total assets of the funds. Distributing these assets somewhat arbitrarily on the basis of current employee contributions (assuming the distribution of employers' contributions is similar although not necessarily equal in absolute amounts), it appears that equity in pension funds is least important for self-employed households, including farmers, for higher income groups, and for older people.[12] Its importance (according to tabulations more detailed than those shown above) is greatest for professional, manual, and clerical workers in the middle income brackets (between $3,000 and $5,000), particularly for households which do not own their homes.

Among households with income of more than $7,500, taken as a group, equity in pension funds constitutes only about one per cent of total assets, and the proportion declines for progressively higher income levels.[13] The picture for different wealth groups, where the computations are yet more hazardous, is similar. Here the proportion is high for spending units with assets between $1,000 and $5,000—approximately 5 per cent. It falls to approximately one per cent for spending units with net worth between $25,000 and $60,000, and becomes negligible for estates of more than $60,000.

5. *Personal Trust Funds.* The importance of personal trust funds within total assets of different groups of individuals shows patterns opposite to those observed for pension funds. Personal trust funds constitute a significant part of assets only for a very small group of households, those in the top income and wealth brackets.

Estates of over $60,000 show approximately one-sixth of total

---

holds has increased over the last half century. Therefore the observed lower ratio of life insurance reserves to total assets in the upper age groups reflects, in a way which is difficult to disentangle, not only genuine differences in the proportion of assets represented by life insurance reserves among age groups, but also the increased use of life insurance as a form of saving. If the effects of that change could be eliminated, possibly the share of life insurance reserves in total assets would not show any decline for the highest age groups.

12 If the assets of pension funds had been distributed on the basis of current benefit payments rather than contributions, most of the equity, of course, would have to be allocated to the aged. The distributions by income or (former) occupation on the other hand, would probably not be much changed.

13 The figures used probably overstate the decline of the relative importance of equity in pension funds with increasing income, though not fully reflecting retirement and profit sharing agreements made with chief officers, almost all of whom belong in the upper income and wealth groups.

assets in the form of personal trust funds, but the proportion is very small for other wealth groups (Table 83). It is probable that size of estate and proportion of assets in personal trust funds are positively correlated within the group of estates exceeding $60,000, but this cannot be asserted with assurance since the main source of information, estate tax returns, does not segregate assets administered through personal trust departments. Income groups show similar differences. Spending units with an income of more than $7,500 show approximately 15 per cent of total assets in the form of personal trust funds. By contrast, the proportion amounts to only 2 per cent for all other households taken together (Table 83).

3. *Summary*

It is evident, then, that claims against financial intermediaries are of varying importance for different groups of households, and that the pattern has changed considerably over the last fifty years. We know only the outline of these differences and trends, but what we know is sufficient to suggest three conclusions:

1. The importance of claims against financial intermediaries within the assets of individual households has increased considerably over the last half century. The share of such claims in total assets has more than doubled, the increase being most pronounced between 1929 and 1939. Whether the slight decline in the share after World War II indicates a cessation or reversal of this trend, or constitutes only a temporary interruption, remains to be seen. It is fairly certain, however, that an increase for a comparable length of time at the rate which occurred in the generation before World War II will not be witnessed again.

2. The share of aggregate claims against financial intermediaries generally decreases as household assets or net worth increase, except where net worth is very low or negative. The share is higher for households in the middle income groups than for those with very low or very high income. It is higher—although only among larger estates—in the age range of 50 to 65 years than for younger or older estate owners. It is considerably above average for professional, clerical and sales, and unskilled worker households, and probably also for the households of retired persons, but considerably below average for farm operators.

3. The importance of different financial intermediaries as outlets for funds varies greatly among households of different wealth, income, occupation, and age.