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CHAPTER 19

UNCLASSIFIED INDUSTRIES AND MISCELLANEOUS INCOME

§ 19a. The Field Covered

It is an unfortunate fact that there exists a large section of the industrial field the activities of which are not recorded by the Census Bureau, the Interstate Commerce Commission, or any other Federal agency. State and municipal reports and private investigation give an inkling, but nothing more, concerning the value product in this statistical "no man's land." Wage data, while scattered, are fortunately quite abundant, and the income tax throws some light upon the gains of enterprise and property. These, then, are the chief sources upon which reliance must be placed.

The income derived from this field includes that arising from mercantile operations, both wholesale and retail, from the activities of independent professional men such as physicians and lawyers, from personal service, from the rental of business buildings, and from interest allowance on the value of consumption goods on hand, besides that from numerous minor sources. These items of income are grouped and summarized in the estimates which follow. The figures for the earnings of employees are believed to be reasonably accurate: the remaining estimates may be widely in error.

§ 19b. Number of Persons Occupied in Unclassified Industries

The number of entrepreneurs and employees attached to unclassified industries has been estimated by the simple process of adding up the numbers of each class reported for all of the industries thus far recorded and subtracting the totals thus obtained from the respective total numbers of entrepreneurs and employees estimated as being attached to all industries. In the case of the employees, the number thus arrived at for each year ¹ has been multiplied by an estimated percentage of employment, and the resulting products ² have in turn been multiplied by the average full time wage computed for the unclassified field.

§ 19c. The Earnings of Employees

This average wage is based upon a study of 166 average wage records, some more or less fragmentary, but all of which were estimated or pieced

¹ See Table 19A, Column F.

² These products represent the numbers actually working and are entered in Table 19 A, Column B.

out for the entire decade. These separate records have been weighted roughly in proportion to the number of employees in the field which they best typified—the numbers being taken from the Census of Occupations of 1910. Table 19A presents the results of these operations.

TABLE 19A

AN ESTIMATE OF THE NUMBER OF EMPLOYEES IN UNCLASSIFIED INDUSTRIES AND THEIR AVERAGE COMPENSATION FOR SERVICES

A	B	C	D	E	F	G	H	I
Year	Number of employees actually at work ^a (Thousands)	Average full-time annual earnings ^a	Total earnings of employees (Thousands) B × C	Fraction actually working of those attached to industry ^b	Number of employees attached to industry (Thousands) $\frac{B}{E}$	Average annual earnings of those attached to industry $\frac{D}{F}$	Index of prices of goods consumed by manual or clerical workers ^c	Purchasing power of average annual earnings $\frac{G}{H}$
1909..	6,290	\$ 777	\$4,887	0.92	6,823	\$ 716		
1910..	6,830	802	5,478	.93	7,376	743	0.955	\$750
1911..	6,820	806	5,497	.89	7,685	715	.978	759
1912..	7,400	833	6,164	.93	7,980	772	.984	727
1913..	7,620	858	6,538	.91	8,397	779	.994	777
							1.000	779
1914..	7,100	885	6,284	.87	8,183	768		
1915..	7,031	904	6,356	.86	8,175	777	1.01	760
1916..	7,477	942	7,043	.92	8,127	867	1.03	755
1917..	7,296	1,012	7,384	.96	7,600	972	1.10	788
1918..	6,008	1,067	6,531	.97	6,194	972	1.29	753
						1,054	1.58	667

^a For mode of derivation, see text.

^b See § 2d for method of computation.

^c U. S. Bureau of Labor Statistics index carried back, by means of a special study; see Table 2C.

It is clear that, in the closing years of the decade, wages and salaries failed to parallel the sharp rise in the price level, the result being that the economic condition of the employees was worse in 1918 than at any other time in the period.

§ 19d. The Effect of the War on the Number of Employees

Another interesting feature of the table is the decided fall in the number of employees occurring in 1918. This fall is in sharp contrast to the rise occurring in most of the other reporting fields and shows where the drain in man power for the army produced its ultimate effect. This is, of course, not at all equivalent to assuming that the army was composed of a larger proportion of men formerly engaged in this rather than in other fields, for there was shifting all along the line until the reduction occurred in the lines of activity least necessary for war purposes.

§ 19e. The Profits of Entrepreneurs

The estimate of the profits of the entrepreneurs in unclassified industries rests almost wholly upon the reports of the Federal Bureau of Internal Revenue for 1916. In their *Statistics of Income* for that year (pages 126 to 137), are given frequency tables of the incomes of persons in different occupations. Those groups belonging in the unclassified field were segregated and summated and the curve derived therefrom was plotted and extended to cover the incomes falling below the taxable limit. The general assumption was made that the net income of entrepreneurs remained somewhat above that for employees at the same relative points on the distribution scale.

An estimate was next made of the fraction of the total income of persons in these selected occupations which was derived from the gains of business or profession, this estimate being also based upon *Statistics of Income*. The total income as computed was multiplied by this fraction in order to arrive at the gains of entrepreneurs in unclassified industries.

Since for other years, the distributions of individual incomes were not reported by occupations, it was necessary to make rough estimates therefor based upon variables which it was believed might prove representative; namely bank clearings, profits in other industrial fields, and the net gains of corporations as shown by the income-tax reports. Owing to the complexity of the procedure adopted, it seems impracticable to do more here than to present the final results of the study. The lack of satisfactory data necessarily gives rise to the possibility of great error, hence the results obtained cannot be considered as anything more than very rough approximations to the truth.

The statistics of the earnings of corporations engaged in business in this field are, for recent years, more complete than are those of the incomes of individual entrepreneurs. Although this group cannot be accurately segregated in 1917 and 1918, it seems quite certain that the figures here presented for the three years beginning with 1916 are accurate enough for practical purposes. Before the first date mentioned, however, it has been necessary to make estimates by using as an index of change a combination of bank clearings and total profits in other recorded lines of industry.

§ 19f. Rents and Royalties

In the *Statistics of Income* published each year by the Bureau of Internal Revenue, appears a record of the total rents and royalties received by members of each income class. These quantities have been plotted as curves and the curves have been extended to take in the income classes below the taxable limit. Since the amount of contract rent received by the poorer

classes of the population is presumably small, it seems probable that the error involved in the method used is relatively unimportant. There is greater danger that a large fraction of rents received are not reported to the income tax authorities. Should such be the case, the estimates presented would of course be too low, as no adjustment has been made for non-reporting.

Contract rents and royalties have already been calculated for a number of industries. These amounts have been added together and their sum has been subtracted from the estimated total of the same for the entire country, the remainder being assumed to represent the net rents and royalties received from unclassified industries.

Before 1916, the income-tax reports furnished no information concerning rents and royalties. For the earlier years, therefore, it was assumed that the non-reported rents varied in approximately the same manner as did those in the reporting industries.

The results of these assumptions concerning the aggregate of rents appear in Table 19B.

TABLE 19B

AN ESTIMATE OF THE TOTAL OF CONTRACT RENTS IN UNCLASSIFIED FIELDS OF INDUSTRY

A Year	B Total contract rents in the United States ^a (Millions)	C Contract rents accounted for in all industries having records of rents ^a (Millions)	D Contract rents not otherwise accounted for (Millions) B - C
1909	\$ 668	\$ 550	\$118
1910	705	580	125
1911	732	601	131
1912	776	637	139
1913	817	669	148
1914	833	681	152
1915	883	720	163
1916	1,000	813	187
1917	1,150	932	219
1918	1,290	1,027	263

^a For derivation, see the text.

§ 19g. The Total Share of Enterprise and Property

Table 19C summarizes the different items entering into the share of enterprise and property in the unclassified field and reduces the total to

terms of purchasing power. The index used for the last mentioned purpose is a combination of the indices of prices of goods used by the workers and by consumers of moderate means. This index is chosen because many of the small proprietors have no more income than the well-to-do workers; hence their type of consumption is probably essentially similar to that of employees.

TABLE 19C

AN ESTIMATE OF THE SHARE OF THE ENTREPRENEURS AND OTHER PROPERTY OWNERS IN THE NET VALUE PRODUCT OF UNCLASSIFIED INDUSTRIES

A Year	B Profits accrued plus interest. ^a Paid out by		D Contract rents and royalties ^b (Millions)	E Total share of entrepreneurs and other property owners (Millions) B + C + D	F Index of prices of goods consumed ^c	G Purchasing power of share of entrepreneurs and other property owners (Millions) E + F
	Corporations ^b (Millions)	Private entrepreneurs ^b (Millions)				
1909	\$ 848	\$2,232	\$118	\$3,198	.955	\$3,348
1910	919	2,360	125	3,404	.977	3,484
1911	862	2,395	131	3,388	.984	3,443
1912	966	2,582	139	3,687	.996	3,702
1913	1,008	2,652	148	3,808	1.000	3,808
1914	909	2,583	152	3,644	1.011	3,604
1915	1,014	2,723	163	3,899	1.016	3,838
1916	1,569	3,609	187	5,364	1.094	4,903
1917	1,834	4,601	219	6,654	1.271	5,235
1918	1,047	4,601	263	5,911	1.514	3,904

^a Evidence from the income tax reports indicates that total bond or mortgage interest is only about one-hundredth as great as profits.

^b For mode of estimation, see text.

^c Average of indices representing respectively the consumption of working people and of families spending \$5,000 each annually for consumption goods.

The chief points of importance brought out by Table 19C are: first, that contract rents form a relatively small part of the total; second, that private and not corporate entrepreneurs dominate this field; and third, that 1916 and 1917 were extremely profitable years for the entrepreneurs here as well as elsewhere.

§ 19h. Other Classes of Miscellaneous Income

There is a very considerable aggregate of income which forms part of the total for the nation but which cannot legitimately be considered as

being derived from any of the fields of industry yet discussed. This income has been treated under four heads:

1. Net rental value of owned homes.
2. Interest on value of miscellaneous direct or consumption goods on hand.¹
3. Profits from cow-keeping in villages or cities.
4. Profits accruing to urban dwellers from the keeping of poultry and the raising of gardens.

§ 19i. The Net Rental Value of Owned Homes

The net rental value of owned homes has been calculated by following the assumption that the value per person amounted to \$50 in 1913² and varied therefrom in proportion to the index of rents. Since farm homes are accounted for under agriculture, it remains only to estimate the amount for urban homes. The figures in Vol. I, p. 1294 of the *Population Census* for 1910 indicate that 4,411,000 of these homes were occupied by the owners. At 4.492 persons per home, they would house 19,820,000 people. This number presumably has varied about in proportion to the size of that part of the population not living on farms. This fraction of the population has therefore been estimated for each year on the basis of the Census reports. The resulting numbers have been multiplied by the average amount allowed for rent. The results and some of the processes appear in Table 19D.

§ 19j. Interest on the Value of Direct Goods

It is common to think of residences as representing investments upon which an allowance must be made to represent current income to the owner, but it is less usual to consider other durable consumption goods in the same manner. Evidently they are in exactly the same category, the only differences being that residences represent a larger aggregate of value in one unit, hence attracting more attention, and that they are a type of goods very frequently leased and dealt in as commodities, while automobiles, pictures, clothing, furniture, etc., are seldom rented and very commonly do not change ownership again after leaving the hands of the dealer. Logically, a net rental for the entire stock of consumption goods on hand must be estimated and added. Practically no information is available which makes possible an estimate of this kind. The nearest feasi-

¹ Colonel M. C. Rorty (one of our directors) believes that this item should be omitted from the total. The problem is discussed in § 19j.

² In 1913, the per capita income of the average inhabitant of the United States was about \$350. The income of home owners was presumably materially larger than the average income—perhaps \$500 per capita. Numerous studies seem to indicate that the gross rental of homes is likely to amount to about 15 per cent. of the family income. If the net rental equalled two-thirds of the gross rental it would then amount to $\frac{2}{3} \times \frac{15}{100} \times \500 , or \$50.

TABLE 19D

THE ESTIMATED NET RENTAL VALUE OF THOSE HOMES IN CITIES AND VILLAGES OF THE CONTINENTAL UNITED STATES WHICH ARE OCCUPIED BY THE OWNERS

A	B	C	D	E	F
Year	Number of urban families residing in owned homes (Thousands)	Population of United States not residing on farms ^b (Thousands)	Population of cities and villages residing in owned homes ^c (Thousands)	Net rental value per person of homes owned ^c	Total net rental value of owned homes (Millions) D × E
1909..		61,830	19,230	\$48.50	\$ 933
1910..	4,411 ^a	63,629	19,820	50.50	1,001
1911..		65,211	20,290	50.50	1,025
1912..		66,748	20,780	50.00	1,039
1913..		68,698	21,390	50.00	1,069
1914..		70,654	22,000	50.00	1,100
1915..		71,928	22,360	50.50	1,129
1916..		73,262	22,800	51.00	1,163
1917..		74,639	23,230	50.50	1,173
1918..		75,792	23,590	52.50	1,238

^a Derived from the *Census of Population* for 1910, Vol. I, p. 1294, by apportioning the unreported and encumbered homes—the latter on the basis of full ownership.

^b Estimated from the Census.

^c For mode of derivation, see the text.

ble approach to such a figure is arrived at by applying an assumed interest rate to the value as reported by the *Census of Wealth, Debt, and Taxation* and then proceeding to make estimates for other years based upon the variations in an index representing a product of the prices of durable consumption goods and the population of the United States. Such an estimate is made in Table 19E.

§ 19k. Profits from Cow-Keeping

The basis for computing the profits from cows kept in cities and villages is very slender but this is not a matter of very great moment since the total is relatively unimportant.

Once in a decade, the Census of Agriculture records the number of milk cows not on farms. It was found by the United States Public Health Service through a special study that the average profit obtained from keeping a cow in South Carolina was about \$75 per year. This amount has been varied from year to year according to an index number of the price of dairy products and then, in order to obtain the total entered in Table 19F,

TABLE 19E

AN ESTIMATE OF THE INTEREST ON THE INVESTMENT IN CONSUMPTION GOODS OTHER THAN RESIDENCES

A	B	C	D	E	F	G	H
Year	Index of price of durable consumption goods ^a	Population of the U. S. in thousands ^c	Index of total value of consumption goods (Thousands) B × C	Value of consumption goods. (Census figures) (Millions)	Ratio of E to D	Value of consumption goods (Millions) D × F	Interest ^e on investment in consumption goods (Millions) .06 G
1904...	.986	82,467 ^b	81,310	\$ 8,250 ^d	101.5 ^f	\$ 8,250	\$ 496
1909...	1.044	90,370	94,350		119.8 ^g	11,300	678
1910...	1.050	92,229	96,840		121.9 ^g	11,800	708
1911...	1.056	93,811	99,060		124.8 ^g	12,360	742
1912...	1.029	95,338	98,100	12,758 ^d	130.1 ^f	12,758	765
1913...	.993	97,278	96,600		133.8 ^g	12,920	775
1914...	.987	99,194	97,900		-136.2 ^g	13,330	800
1915...	.980	101,428	98,420		140.9 ^g	13,870	832
1916...	1.059	101,722	107,720		145.0 ^g	15,620	937
1917...	1.143	101,059	117,800		147.6 ^g	17,390	1,043
1918...	1.362	101,182	141,900		149.3 ^g	21,190	1,271
1919...	1.642	101,847	172,160		156.0 ^g	26,860	1,612

^a Weighted as follows: Furniture 4, Clothing 3, Automobiles 3.

^b *Statistical Abstract of the United States*, 1918, p. 776.

^c Estimated for the intercensal years by means of a special study; see Table 2A.

^d *Census of Wealth, Debt, and Taxation*, 1913, Vol. I, p. 17.

^e Rate arbitrarily assumed to be 6 per cent throughout, since the real object sought is to measure rents, not interest, and the relationship between rents, interest, and values is not known for the various years.

^f Computed by division.

^g Interpolated along a smooth curve.

this estimated average profit has been multiplied by the number of cows kept.

§ 19L. Profits from Raising Poultry and Gardens

The estimated profit on poultry and gardens is only a refined guess. The starting point is an estimate for 1909 of \$70,300,000 which is based on the idea that the average family garden and poultry supply gives a net gain of \$25.00 per year and that the fractions of families having such income were as follows for cities of the sizes stated:—

Population of city or village	Fraction of families
Under 10,000	0.50
10,000 to 50,000	.33
50,000 to 100,000	.25
100,000 to 250,000	.12
250,000 and over	.06

An index has been computed, based on the product of the population of

cities and villages of less than 250,000 inhabitants and the average price of foods and farm products. The estimated value has then been varied from year to year in proportion to the movements of this index. The resulting amounts are entered in Table 19F.

TABLE 19F

A SUMMARY OF THE ESTIMATES OF INCOME FROM MISCELLANEOUS SOURCES

Year	Millions of dollars				
	Total	Rental value of owned urban homes ^a	Interest on value of other consumption goods ^b	Profits from keeping cows in cities and villages ^c	Profits from gardening and poultry raising in cities and villages ^c
1909.....	\$1,740	\$ 933	\$ 678	\$ 59	\$ 70
1910.....	1,840	1,001	708	60	71
1911.....	1,901	1,025	742	61	73
1912.....	1,946	1,039	765	60	82
1913.....	1,986	1,069	775	61	81
1914.....	2,048	1,100	800	62	86
1915.....	2,112	1,129	832	62	89
1916.....	2,277	1,163	937	69	108
1917.....	2,468	1,173	1,043	90	162
1918.....	2,876	1,238	1,271	114	253
1919.....	3,308	1,356	1,612	129	211

^a See Table 19D, Column F.

^b See Table 19E, Column H.

^c For mode of derivation, see the text.

§ 19m. The Division of the Net Value Product

A statement of the fraction of all unclassified and miscellaneous income paid out as wages and salaries is not very significant because of the fact that no inconsiderable part of the "miscellaneous income" accrues to persons attached to already recorded industrial fields. For example, persons engaged in manufacturing, transportation, or mining may receive income from the rental value of the homes they occupy or from other consumption goods owned or they may obtain profit by raising poultry or gardens in their spare time. For these reasons, it seems best to present two columns for the per cent of the income going to the employees in the form of wages and salaries. The last one has significance only as a balance item. The fact that it is so much lower than the preceding column helps to show why the per cent for all industries runs so much lower than does the average of the per cents for manufacturing, mining, etc.

Column F represents the industries in this group and is entirely comparable with similar figures for other industrial fields. According to these figures, employees in unclassified industries receive in the form of salaries and wages about the same fraction of the net value product that prevails on the average in the other industrial fields. The percentage has, however, shown a decline since 1916, a phenomenon which is not characteristic of most of the other lines studied.

Owing to the heterogeneous nature of the items involved, it seems useless to attempt to carry further the analysis of the data pertaining to unclassified industries and miscellaneous income.

TABLE 19G

THE ESTIMATED NET INCOME ARISING FROM UNCLASSIFIED INDUSTRIES AND MISCELLANEOUS SOURCES AND THE FRACTION THEREOF PAID OUT AS WAGES AND SALARIES

A Year	B Total income for these fields (Millions)	C Earnings of employees in unclassified industries ^a (Millions)	D Profits and contract rents in unclassified industries ^b (Millions)	E Income from mis- cellaneous sources ^c (Millions)	F Per cent of total income paid to employees as wages and salaries from		G
					Unclassified industries C	The total income C ÷ B	
							C + D
1909 ...	\$ 9,824	\$4,887	\$3,198	\$1,740	60.4	49.7	
1910 ...	10,722	5,478	3,404	1,840	61.7	51.1	
1911 ...	10,786	5,497	3,388	1,901	61.9	51.0	
1912 ...	11,796	6,164	3,687	1,946	62.6	52.3	
1913 ...	12,332	6,538	3,808	1,986	63.2	53.0	
1914 ...	11,975	6,284	3,644	2,048	63.3	52.5	
1915 ...	12,367	6,356	3,899	2,112	62.0	51.4	
1916 ...	14,685	7,043	5,364	2,277	56.8	48.0	
1917 ...	16,506	7,384	6,654	2,468	52.6	44.7	
1918 ...	15,318	6,531	5,911	2,876	52.5	42.6	

^a See Table 19A, Column D.

^b See Table 19C, Column E.

^c See Table 19F, Total.