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CHAPTER 2

Financial Asset Ownership and the Flow of Savings and Investment

PART of the wealth owned by individuals consists of financial assets—bonds, stocks, bank accounts, and the like—which are not items of material wealth in themselves but only claims against tangible wealth. In some respects, however, their significance is equivalent to that of the material wealth they represent, and the processes by which they are created and extinguished are among those most crucial to the proper functioning of the economy. When an individual purchases a financial asset, he is in effect allowing some other individual or company to use his funds. Although the purchase does not necessarily mean that individual savings are being channeled into real investment, net increments to the stock of financial assets owned by all individuals which are not offset by increases in the cash balances of the issuers (or by decreases in their indebtedness to the banking system) result in a flow of savings into real investment, provided the increments do not arise solely from price increases.

Recent economic thinking emphasizes the tenuous nature of the connection between saving and investment processes, recognizing that in a highly industrialized economy a considerable part of all real investment is performed by persons and organizations other than those doing the saving. Financial assets provide a link, so to speak, in the indirect connection between saving and investment. From that standpoint our interest in the distribution of ownership of financial assets stems from the fact that analysis of it may cast some light on the sources of saving and the manner in which individuals choose to allocate their savings among different outlets.

More specifically, we are interested in determining how different types of financial assets are distributed among individuals classified according to their income, their occupation, and the size of the city in which they reside, stratifications of society which are regarded as important in accounting not only for the economic behavior of individuals but also for their actions in other respects. Apart from the purely descriptive aspect of the problem, we are interested in discovering functional relationships between the characteristics of the individual and his actions as a financial investor. It is of interest to ascertain whether such functional relationships exist, even though we may lack the means to obtain precise quantitative measurements of them. A knowledge of functional relationships in this area is important in many respects, and it is hoped that the present study will make some contribution to it.

The means by which one may study how individuals with different economic and social characteristics allocate their current savings among different outlets are distinctly limited, particularly if emphasis is to be placed on their purchases of corporate stocks. Individuals may be selected at random from the population and interviewed to find out how much they saved and what they did with their savings. Interview surveys from a broad population base, however, encounter serious difficulties when used as the basis for estimating dollar value of asset holdings, because of the reluctance of many individuals to discuss their financial position. Since interview surveys usually encounter poor response in the upper income groups—the very groups whose holdings of financial assets bulk largest—quantitative estimates of aggregate holdings are frequently seriously underestimated. Furthermore, unless the sample is extremely large, there are seldom enough cases for detailed analysis of the characteristics of the owners of types of financial assets which are not widely distributed among the population. In spite of these defects, interview surveys can make a real contribution to the explanation of the investment behavior of individuals, particularly in probing the motivation behind investor action.[1]

If dollar value estimates of holdings of the less widely distributed types of financial assets are desired, together with considerable detailed information about both the holder and the specific securities held, one is virtually forced to rely upon information compiled from record data obtained for other purposes. Such record data may consist of customer records of brokerage firms, stock ownership records of corporations themselves, or estate and income tax returns.

In effect, this last source is the one used for the present study. Estimates of the financial asset holdings of individuals have been obtained from an analysis of 3,462 Wisconsin state income tax returns for the year 1949 (single returns, or joint or combined

[1] See the work of Butters, Thompson, and Bollinger cited in Chapter 1 (footnote 9) for an example of a study designed to overcome the usual difficulties of interview surveys.

returns of husband and wife where both reported income). The fact that specific sources of each item of interest and dividend income must be reported by the individual taxpayer in that state makes it possible to estimate, along lines described in Chapter 3, the value of certain types of financial asset holdings. The particular merit of this approach is that one can obtain a rather detailed estimate of corporate stock holdings, and thus cast light upon some of the problems of equity finance. An allied advantage is that the upper income groups are well covered by tax reports, so that their role in business finance can be given due attention.

There are disadvantages to the approach, however. In the first place, the data constitute only a cross section of financial asset holdings at one point in time, and do not reveal how current savings are allocated to investment over a period of time. In the second place, cross-section studies of individual behavior do not show, except by implication, how an individual's actions are affected by a change in his status. It is thought, for example, that if an individual's income increases he will not immediately assume the behavior characteristic of the new income level as regards saving, but will instead be influenced by the recency of the change in his income and by his past income level. Financial investment behavior probably responds similarly. Nevertheless, cross-section studies do show the direction which changes are likely to take.

A further complication inherent in studies of the present type is that they attempt to show how individuals invest their current savings by an analysis of the composition of assets accumulated over a period of years. Yet it is clear that (1) individuals may invest new savings out of income in quite different forms and proportions than are indicated by the forms in which they hold accumulated assets, (2) the amount originally invested is not shown when assets are valued at current prices, and (3) the status of the individual when some of the currently held assets were acquired may have been different from his present economic and social position. Nothwithstanding these defects, a knowledge of the distribution of financial assets in relation to the current social and economic position of the holder is a useful first step in clarifying some of the relationships between the saving and investment processes.

In this chapter the object is to give perspective to the analysis of the asset holdings of Wisconsin individuals by drawing on supplementary sources for over-all information on the characteristics of the individuals who provide the bulk of all savings, on the manner in which individuals allocate their savings among different investment outlets, and on the relationship of their current purchases of financial assets to their total stock. The purpose is not only to add quantitative perspective to the material which is to follow, but also to set forth explicitly some of the conceptual problems which arise when one attempts to infer the sources of savings, and its allocation, from the distribution of financial asset holdings.

The Sources of Saving

Net new saving can be contributed to by individuals acting solely on personal account, by business firms, or by governmental units. While it is fairly easy to segregate savings originating or being absorbed in the governmental sphere, it is less easy to distinguish between individual and business saving. In national income accounting the corporate sphere is treated separately, mainly because estimates of corporate saving are derived from different sources than are estimates of personal saving. Most of the saving attributed to corporations undoubtedly originates in that sphere,[2] whereas a considerable amount of personal saving may in fact be business saving done by the owners of unincorporated firms and left in the business. In all but the worst periods of depression, when the owners of unincorporated businesses tend to draw money out of their firms for personal use, between 10 and 25 per cent of the saving attributed to the personal sector probably has been saving by unincorporated business firms.[3]

In 1949, gross private saving amounted to $37 billion, of which some $21 billion represented inventory valuation adjustments, capital outlays charged to current expense, depreciation allowances of corporations, etc., and $9 billion was undistributed corporate profits.[4] The remaining $7 billion probably consisted of $5.3 billion of saving solely by individuals and about $1.7 billion left in unincorporated business firms.[5] If new saving is defined as the

[2] The saving done by personal holding companies should probably not be considered business saving, even though it is done through a corporate form of organization.

[3] Simon Kuznets, *National Income and Its Composition, 1919-1938* (National Bureau of Economic Research, 1941), Vol. I, Table 39, p. 276.

[4] *Survey of Current Business* (Department of Commerce), July 1952, Table 5, p. 16.

[5] Estimated by applying the approximate relationship between the saving of entrepreneurs and of other individuals prevailing in the relatively prosperous period 1919-28, as shown by Kuznets, to total personal saving in 1949, as estimated by the Department of Commerce.

saving of individuals plus net unincorporated business saving, plus corporate undistributed profits, then individual saving in 1949 represented about one-third of the total.[6] The saving of individuals, although low in 1949 as compared with other sources of saving, has historically been the most important source.[7]

What are the sources of individual saving? Fortunately there is fairly good evidence on the relative importance of the different groups contributing to total personal saving in 1949 in the Survey of Consumer Finances conducted by the Survey Research Center of the University of Michigan for the Board of Governors of the Federal Reserve System.[8] These data are roughly similar to those compiled by the Department of Commerce in that they include an unknown proportion of saving accumulated by unincorporated business, but they differ in excluding the saving of personal trust funds and nonprofit institutions.[9] Some of the findings on the sources of individual saving are shown in Table 1.

The Survey of Consumer Finances found that in 1949 the one-fifth of the spending units[10] that ranked highest in income accounted for 45 per cent of the total income received by individuals (Table 1). While that group received nearly half of all income, it contributed a great deal more than half of all net saving. Indeed, it provided 131 per cent of total net saving—enough to allow the lower income groups to spend more than they earned, through borrowing and disinvestment of liquid assets. The performance of the top quintile is all the more remarkable since about one-fourth of its units had zero or negative saving. Thus only about 15 per cent of the total population contributed positively to the high amount of saving shown for the highest income quintile.

6 There is reason to believe that prevailing accounting practices result in an overstatement of corporate net saving in the years following World War II, and thus that the contribution of individual saving to total new net saving was probably understated in 1949.

7 Kuznets, *op. cit.*, p. 276.

8 "1950 Survey of Consumer Finances," *Federal Reserve Bulletin*, November 1950, pp. 1441-55.

9 See *ibid.*, Appendix I, pp. 1452-53 for other differences.

10 The Survey of Consumer Finances uses the concept of a "spending unit" rather than the family or single person. The spending unit consists of related persons living in the same household who pool their income for major expenses, or of a person who lives with relatives but whose finances are separate from theirs. Hence a family may contain one or more spending units. The Survey also includes persons living singly in private residences, but excludes residents of hotels and large boarding houses as well as the institutional population. Thus there are substantial differences between the Survey of Consumer Finances and the survey of Wisconsin taxpayers in the definition of the universe and the sampling unit.

TABLE 1

Comparative Saving by Income and Occupational Groups of Spending Units in the United States, 1949

CHARACTERISTIC OF SPENDING UNIT	PROPORTION OF POPULATION OF SPECIFIED GROUP	PROPORTION OF TOTAL ACCOUNTED FOR BY THE GROUP		PROPORTION OF UNITS PERFORMING POSITIVE SAVING
		Net Saving[a]	*Income*[b]	
Income Rank, 1949				
Highest tenth	10%	105%	30%	78%
Second	10	26	15	
Third	10	13	12	70
Fourth	10	8	11	
Fifth	10	1	9	64
Sixth	10	c	8	
Seventh	10	−4	6	50
Eighth	10	−8	5	
Ninth	10	−6	3	37
Lowest tenth	10	−35	1	
Occupation				
Professional and semi-professional	7%	12%	11%	69%
Managerial and self-employed	12	54	21	71
Clerical and sales	13	14	13	65
Skilled and semiskilled	27	21	28	64
Unskilled and service	12	3	9	55
Farm operator	9	7	7	55
All other[d]	20	−11	11	50
All Spending Units	100%	100%	100%	60%

Data are from "1950 Survey of Consumer Finances," *Federal Reserve Bulletin*, November 1950, Tables 2, 3, 4, and 16, pp. 1442-43 and 1448, except the income distribution by occupation, which was computed from means shown in the *Federal Reserve Bulletin*, August 1950, Table 2, p. 950.

[a] Represents positive saving (money income in excess of expenditures) less negative savings (expenditures in excess of money income).

[b] Represents annual money income before taxes.

[c] Less than 0.5%.

[d] Includes farm laborers, students, housewives, protective workers, retired and unemployed persons, and those for whom occupation was not ascertained.

What about the distribution of saving among various occupational groups? In 1949, spending units in the managerial and self-employed group—constituting only 12 per cent of the total number of units—received approximately 21 per cent of the income and accounted for over half of the total net saving (Table 1). Although to some extent a high saving level would be expected because of the high average income level of that occupational group, the evidence suggests that managerial and self-employed individuals save more than other groups irrespective of income. Professional and semiprofessional persons, whose incomes in 1949 averaged only slightly less than those of managerial and self-employed persons ($5,350 as against $5,630), may be used as a standard of comparison. While the professional group saved 5.6 per cent of their income, the managerial group saved 14 per cent of theirs.[11]

Conceivably such a result could occur if one of the distributions contained a few individuals with extremely high incomes while the other did not, but the apparent differences between the two income distributions for the different occupations are too slight to suggest an influence of that kind. Furthermore, the proportion of persons saving large amounts of their income was considerably greater for the managerial than for the professional group. One-third of the units in the managerial and self-employed group had savings of $1,000 or more in 1949, while less than one-fourth of the professional group had savings of that amount.[12] It would appear, therefore, that although high average income may partially explain the large proportion of net saving accounted for by managerial and self-employed individuals, income level is not the full explanation of their high saving propensities.

The Flow of Personal Savings into Investment

The flow of savings from their origin in the personal sector of the economy to their specific use cannot be traced in optimum detail because of both conceptual and technical difficulties. The saving of individuals (as has been pointed out) cannot be segregated from the saving of unincorporated business firms. The conventional method of measuring investment used in national income accounting does not distinguish net new investment expenditures from expenditures intended only to maintain existing capital; nor is it possible to segregate investment expenditures paid for out of saving from those paid for out of borrowed funds. Thus although the totality of funds available from the personal sector for investment equals the totality of uses of those funds, to isolate the sources and uses of the saving of individual, exclusive of borrowed funds and exclusive of expenditures by unincorporated businesses for maintaining existing capital and for increasing capi-

[11] "1950 Survey of Consumer Finances," *Federal Reserve Bulletin*, August 1950, Table 2, p. 950.

[12] "1950 Survey of Consumer Finances," *Federal Reserve Bulletin*, November 1950, Appendix Table 1, p. 1454.

tal, is impossible. Even so, available data do reveal some interesting facets of the flow of personal saving into investment.

Table 2 uses Department of Commerce and Securities and Exchange Commission data to reconstruct the saving and investment activities of the personal sector of the economy in 1949. Included in the figures are saving and investment by unincorporated business firms, trust funds, and nonprofit institutions as well as saving and investment by individuals, with which we are most directly concerned. Net new saving from those sources, plus the depreciation allowances of unincorporated business firms and the net borrowing by individuals from banks and financial intermediaries, constitute, in our definition, the total of investment funds that became available within the year from the personal sector.[13]

The funds newly available from the personal sector for investment in 1949—amounting to nearly $27 billion—were invested in two ways: about two-thirds of the total was invested directly by the units accumulating the funds, either through purchases of residential housing or through investment in unincorporated business firms and farms; the remaining one-third was channeled into financial assets. The acquisition of such assets represented the contribution of investment funds by individuals and noncorporate business to other sectors of the economy. When financial assets increased by some $9 billion in 1949, both an increase in the claims of the personal sector against other sectors of the economy and a flow of investment funds resulted. The acquisition of financial assets thus originated as part of the process whereby personal saving flows into investment; but the data in Table 2 do not show what part of the net change in any given type of financial asset represented a use of funds arising from individual saving (rather than from individual borrowing or from the various activities of noncorporate business that were also sources of funds).

Other details on the disposition of funds from personal saving in 1949 are provided by the Survey of Consumer Finances, in data showing the percentage of spending units that reported additions to and withdrawals from various types of assets and liabilities (Table 3). Although the concepts of saving and the basic unit of analysis differ from those used by the Department of Commerce and the Securities and Exchange Commission, the results in them-

[13] This method of accounting shows only intersector flows and neglects the changes taking place within the personal sector. Transactions in which individuals borrow from each other or individuals invest in noncorporate business are ignored.

TABLE 2

Sources and Uses of Net New Investment Funds of the Personal Sector, 1949

Sources and Uses	*Amount (billions)*
SOURCES OF INVESTMENT FUNDS	
Net saving[a]	$8.99
Depreciation allowances	9.19
Net increases in debt to banks, intermediaries, and corporations	8.73
Total Funds for Investment	$26.91
USES OF INVESTMENT FUNDS	
Direct Investment	*$16.89*
Net purchases of nonfarm houses	7.04
New construction and producers' durable equipment expenditures[b]	10.83
Inventory changes[c]	−0.98
Investment in Financial Assets (net change)	*9.16*
Currency and bank deposits	−1.27
Savings and loan association shares	1.48
U.S. government securities	1.24
State and local government bonds	0.60
Private insurance and pension reserves	3.71
Government insurance and pension reserves	2.34
Corporate and other securities	1.06
Statistical Discrepancy	*0.85*
Total Personal Investment	$26.91

From *Survey of Current Business* (Department of Commerce), July 1952, Table 6, p. 16. Amounts will not always add to total because of rounding.

[a] Includes saving of individuals, unincorporated business firms, and farmers, plus the increase in government insurance and pension reserves.

[b] Includes expenditures by unincorporated business firms, farmers, and non-profit institutions.

[c] Includes inventory changes of unincorporated business firms and farmers.

selves and in connection with Table 2 indicate some important characteristics of the process whereby individual savings are channeled into investment.

First, it is shown that the proportion of units adding to their holdings differs substantially for different types of asset. Nearly three-quarters of the spending units added to their holdings of life insurance, while only 3 per cent added to their personal investments in unincorporated businesses and only 2 per cent increased their holdings of securities other than federal government bonds. Second, the data reveal wide differences in the ratio of units increasing to units diminishing their holdings of particular types of asset. Most

TABLE 3

Proportion of Spending Units in the United States Reporting Various Types of Additions to or Withdrawals from Savings, 1949

Form of Saving or Dissaving	*Proportion of Units Reporting Change*
Additions to Savings	
Increase in liquid asset holdings	26%
Payment of life insurance premium	74
Retirement fund payment	12
Increase in security holdings[a]	2
Profits left in unincorporated business[b]	2
Personal investment in unincorporated business[b]	3
Farm equipment purchase	4
Nonfarm home purchase	3
Other real estate purchase[c]	2
Payment on home mortgage[d]	17
Home improvement	14
Withdrawals from Savings	
Decrease in liquid asset holdings	31
Full cash payment from life insurance policy	3
Decrease in security holdings[a]	1
Losses from unincorporated business[b]	1
Withdrawal of investment in unincorporated business[b]	1
Mortgage for home purchase	2
Mortgage on other real estate	1
Sale of houses, farms, and lots	3

From "1950 Survey of Consumer Finances," *Federal Reserve Bulletin*, November 1950, Table 5, p. 1443.

[a] Excludes holdings of federal securities.

[b] Excludes farms.

[c] Includes farms.

[d] Includes full payments.

units reporting changes in their life insurance holdings reported increases, but approximately as many units reported decreases in their security holdings as reported increases, and slightly more units reported decreases in their liquid assets than reported increases. This analysis of the behavior of spending units, when it is contrasted with net changes in the dollar value of various types of asset holdings as shown in Table 2, suggests real differences in the types of individuals utilizing the various asset forms as outlets for their savings.

The crucial question involves the characteristics of the individuals who acquired the different financial assets; but the aggregate figures on net purchases, as well as the percentages of units reporting increases and decreases in their holdings of particular types of asset, are of little help in that respect. The published tabulations of the Survey of Consumer Finances indicate that increases in holdings of aggregate liquid assets during 1949 were more prevalent in the upper than in the lower income groups, and, as might be expected, that the proportion of units reporting decreases was slightly greater in the lower and middle income groups than in the highest income group.[14] The distribution of current savings into various outlets other than liquid assets by income, occupational, and city size groups is not available from the published material.

The most recent available data giving detailed estimates of the allocation of current savings are those derived by the 1941 Survey of Spending and Saving in Wartime. These data for urban families and single persons are summarized in Table 4, which shows for each of nine income groups the percentage distribution of the net change in total assets among various types of asset. Because the changes in total assets may be caused by changes both in savings and in liabilities, the data, strictly speaking, do not show what happened to savings alone. In 1941, which probably was not a typical year, all income groups with the exception of the two lowest showed net increases in total assets. The picture is complicated, however, by the fact that except in the two highest income groups liquid assets other than federal securities were being disinvested in that year probably to a large extent for the purchase of federal government bonds.

Nevertheless, the pattern of distribution of current funds among investment outlets at various income levels appears fairly regular: U.S. government bonds and insurance (and presumably other liquid assets in a more normal year) were the predominant outlets for accumulated funds in the lower income groups, and investment in real estate (including owned homes) assumed greatest importance in the middle income groups; investments in nonfederal bonds and stocks and owned businesses became increasingly important in the higher income groups. No data have been published to show the detailed distribution of current funds for investment according to occupation of investor and size of city of residence.

There is a caveat to analyzing investment holdings in order to throw light on the saving process. When the flow of funds into investment results in an increase in the financial assets owned by

[14] "1950 Survey of Consumer Finances," *Federal Reserve Bulletin*, December 1950, Table 13, p. 1595.

TABLE 4

Distribution of Average Net Change in Total Assets by Type of Asset, for Income Groups of Urban Spending Units in the United States, 1941

	INCOME OF SPENDING UNIT								
TYPE OF ASSET	*Less than $500*	*$500-999*	*$1,000-1,499*	*$1,500-1,999*	*$2,000-2,499*	*$2,500-2,999*	*$3,000-4,999*	*$5,000-9,999*	*$10,000 & Over*
Liquid assets[a]	–82%	–296%	–89%	–15%	–45%	–35%	–13%	19%	16%
U.S. government bonds[b]	...	95	29	28	15	9	8	9	10
Private and government insurance[c]	2	217	85	40	58	48	35	27	20
Real estate owned[d]	–12	–24	84	47	58	91	62	30	18
Loans made[e]	–7	–85	f	1	–2	f	f	f	–5
Other bonds and stocks	...	14	–5	1	f	–1	1	3	12
Investment in own business	–6	–23	18	1	17	–11	9	12	29
All other assets	5	2	–22	–3	–1	–1	–1	...	...
Total	–100%	–100%	100%	100%	100%	100%	100%	100%	100%
Average net change	$–104.74	$–8.09	$49.29	$170.37	$147.63	$235.67	$459.79	$1,258.70	$4,520.37

Compiled from data in *Family Spending and Saving in Wartime*, Bureau of Labor Statistics, Bulletin 822, April 1945, Table 35, pp. 187-88.

[a] Excludes U.S. government bonds; includes cash, savings accounts, checking accounts, and savings and loan association shares.

[b] Includes tax savings notes.

[c] Private insurance includes premium payments less surrendered and settled policies; government insurance includes social security and unemployment insurance tax payments.

[d] Includes owned home and other real estate purchases less sales plus improvements on such property holdings.

[e] Represents net change in the principal amount of loans made to others.

[f] Less than 0.5%.

individuals, these holdings are only partly, and not exclusively, the result of a saving process. The value of assets is seldom thought of as merely their original price, especially in times of rising general prices. Holdings thus represent a sum consisting of an original purchase price and a sum representing realized and unrealized capital gains (or losses), arising from changes in the market prices of assets involved.[15]

Turning now to the problem of adequacy of coverage: How much of the total financial assets held by individuals consists of types of assets covered by the survey of Wisconsin state income tax returns of individuals? Table 5 sets forth the estimated value of eleven types of assets held by the personal sector of the economy. The figures differ in concept from the estimates shown earlier, in Table 2, because holdings of trust funds and financial and nonprofit institutions (as well as of corporations) have been excluded. Holdings of noncorporate business firms, including partnerships, are included. With allowances for the fact that asset holdings of partnerships have been omitted from the survey data to be presented in the following chapters but could not be excluded here, Table 5 should serve to indicate the relative importance of the types of asset included in the survey of Wisconsin investors.[16]

The items marked by an asterisk in Table 5 are those types of asset for which ownership estimates may be made from the Wisconsin individual income tax returns. For the United States as a whole these assets amount to $211.7 billion, or slightly over half of the $390.2 billion total for financial assets of all types held by individuals and noncorporate businesses in the United States. If we could exclude from Table 5 the financial assets held by noncorporate business and consider only holdings of individuals, it is likely that the percentage represented in the survey based upon tax returns would be even larger, since the excluded types of assets might be chiefly those which are impossible to trace through state tax returns—assets such as currency, demand deposits, insurance, and U.S. government securities.

15 Since the market price of corporate stocks is affected at least theoretically by their book value, which frequently is, in turn, affected by additions to surplus from undivided profits, it is interesting to note that some changes in the market value of corporate stocks arise through corporate saving and thus are reflected in any analysis of personal saving which uses values of financial asset holdings as basic data.

16 One further exception should be noted: the survey data do not include financial assets of noncorporate business held solely in the name of the business. Thus, securities held by noncorporate business firms would be included in Table 5 but excluded from the survey results shown in later chapters.

TABLE 5

Estimated Amount of Financial Assets Held by Individuals and Unincorporated Business Firms in the United States, 1949

Type of Financial Asset	*Amount Held (billions)*
1. Currency	$23.3
2. Demand deposits	39.2
3. Time deposits	55.8*
4. Savings and loan association shares	11.8*
5. U.S. government securities	47.0
6. Private insurance	60.0
7. Government insurance	9.0
8. Notes, mortgages, etc.	30.6*
9. State and local government bonds	6.0*
10. Corporate bonds[a]	7.0*
11. Corporate stocks[b]	100.5*
Total	$390.2

Asterisks mark types of asset for which estimates of individuals' holdings can be made from Wisconsin tax returns.

Items 1 through 5 are from "Estimated Liquid Asset Holdings of Individuals and Businesses," *Federal Reserve Bulletin*, July 1953, p. 720. Items 6 through 9 are unpublished staff estimates of the Board of Governors of the Federal Reserve System. Holdings of corporations, trust funds, and financial and nonprofit institutions are excluded. Other sources are noted below.

[a] Estimated from data of total outstandings in *The Volume of Corporate Bond Financing since 1900*, by W. Braddock Hickman (Princeton University Press for the National Bureau of Economic Research, 1953), Table A-1, p. 251. The original figure has been adjusted upward by $3.4 billion to include bonds of finance and real estate firms, and then reduced by $30.6 billion to exclude bonds held by financial intermediaries ($28.4 billion) and by trust funds ($2.2 billion).

[b] Estimated from Table A-2 of *The Share of Financial Intermediaries in National Wealth and National Assets, 1900-1949*, by Raymond W. Goldsmith (National Bureau of Economic Research, Occasional Paper 42, 1954). The original figure, which excludes intercorporate stock holdings, has been reduced to 23.6 per cent estimated to be held by financial intermediaries (*op. cit.*, p. 69).

Summary

In an attempt to give perspective to the detailed analysis of the investment practices of individuals which is to follow, data from supplementary sources have been presented in order to give the reader some basis for estimating the quantitative importance of the area under investigation as well as some acquaintance with the problems and concepts involved in such a study. It has been shown that even in 1949, when corporate saving was at a high level, individual saving accounted for about one-third of the total "new" savings available for investment. If the part of the saving attributed to unincorporated businesses that rather should be assigned as personal saving could be included in the calculation, the importance of the personal sector as a supplier of new funds for capital formation would appear even greater. Furthermore, it is evident that a relatively small number of family units headed largely by persons in the highest income quintile—a group with a heavy concentration of managerial and self-employed persons—account for the highest proportion of personal saving. Of the total of funds from individual saving in 1949, augmented by borrowed money and to some extent by the saving of unincorporated businesses, about two-thirds was applied to direct investment outlets such as purchase or construction of real estate, or capital expenditure by unincorporated business, and the remaining third to investments in financial assets.

The acquisition of financial assets by the personal sector represents the transference of funds to other sectors of the economy—the corporate sector and government. The financial assets of individuals are diverse, including types as different as currency, bank deposits, insurance, bonds, and corporate stocks. It is also apparent that such assets differ widely in their appeal to various strata of the population.

The following chapters will attempt to trace the ownership of certain types of financial assets by utilizing data on interest and dividend receipts obtained from a sample of the Wisconsin state income tax returns of individuals. The types of assets which can be traced from the tax returns include time deposits, savings and loan association shares, nonfederal debt obligations, and corporate stocks: assets that account for about one-half of the total of all financial assets held by the personal sector (excluding holdings of trust funds, financial institutions, etc.). By observing the distribution of those assets among different economic and social groups as shown by the sample, the analysis will provide, it is hoped, additional insight into the investment patterns of individuals.