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Chapter Title: The Shifting Importance of Interest as a Sources of Personal Income

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ceived by individuals is received by those with small and moderate incomes.

Another subject of debate is the influence of tax policy on the choice of investments, that is, on the inducement to invest in relatively safe interest-bearing securities as against possibly risky equities, or vice versa. This study offers some revealing evidence in this connection, indicating, among other things, the great importance of the prevailing expectations with respect to the possibilities of capital gains.

Is the tendency to higher interest rates which has been in evidence since 1946, despite some interruptions and reversals, likely to continue, and, if so, are interest rates likely to rise to former peaks? On these questions, too, some light is thrown by analysis of the statistics and related considerations.

It will doubtless surprise many persons to learn that only about one-fourth of the interest income estimated to have been received by individuals in the years 1930–1950 was reported on taxable income tax returns, despite the sharp decreases during the 1940's in the level of personal exemptions and the huge increase in the number of taxable returns filed. What are the important reasons for this fact?

It is the aim of the National Bureau of Economic Research, in this as in its other studies, not to take a position on disputed issues of public policy but rather to make available empirical evidence and impartial analysis for whatever uses may be appropriate.

The present paper begins by tracing the changing absolute and relative importance of personal interest receipts and their changing distribution as between higher and lower income groups. Then it examines the principal causes of the long decline in personal interest income after 1929 and attempts to account, so far as possible, for the fact that only about one-fourth of total personal interest receipts have been reported on taxable individual income tax returns in recent years. The third section of the paper presents some measures of the importance of interest income as a source of tax revenues. The fourth discusses the effects of the progressive income tax rate structure upon interest yields and interest income after taxes and the resulting influence upon incentives to individuals to invest in taxable fixed-interest securities. A final section considers some probable future trends in personal interest income.

I. THE SHIFTING IMPORTANCE OF INTEREST AS A SOURCE OF PERSONAL INCOME

1. *Substantial fluctuations in the absolute and relative importance of interest have occurred since 1913*

Although interest has the reputation of being a relatively stable

TABLE 1

INTEREST COMPONENT OF PERSONAL INCOME RECEIPTS, 1913–1953

Year	Total income receipts of individuals (billions of dollars)	Monetary interest	Interest as percentage of total income receipts	Year	Total income receipts of individuals (billions of dollars)	Monetary interest	Interest as percentage of total income receipts
1913	32.5	1.4	4.4	1932	45.6	4.6	10.2
1914	31.9	1.5	4.6	1933	44.2	4.4	10.0
1915	34.1	1.6	4.6	1934	50.3	4.2	8.4
1916	40.7	1.6	4.0	1935	56.9	4.0	7.1
1917	49.5	1.8	3.6	1936	65.1	3.9	6.0
1918	55.2	2.0	3.6	1937	70.2	3.9	5.5
1919	63.1	2.6	4.1	1938	64.6	3.8	5.9
				1939	69.1	3.8	5.4
1919	63.7	2.9	4.6	1940	74.8	3.7	5.0
1920	66.9	3.3	5.0	1941	92.6	3.7	4.0
1921	53.3	3.5	6.6	1942	118.9	3.5	2.9
1922	57.3	3.6	6.3	1943	145.3	3.4	2.3
1923	66.5	3.8	5.7	1944	137.4	3.5	2.2
1924	66.9	3.9	5.8	1945	162.0	3.9	2.4
1925	70.8	4.1	5.7	1946	172.5	4.4	2.5
1926	73.7	4.1	5.6	1947	185.2	4.9	2.6
1927	74.1	4.3	5.8	1948	201.6	5.3	2.6
1928	75.9	4.6	6.0	1949	197.8	5.7	2.9
1929	80.2	4.8	6.0	1950	219.2	6.2	2.8
				1951	245.8	6.8	2.8
1929	80.1	5.2	6.5	1952	260.1	7.0	2.7
1930	71.0	4.8	6.8	1953	274.3	7.5	2.8
1931	60.3	4.8	8.0				

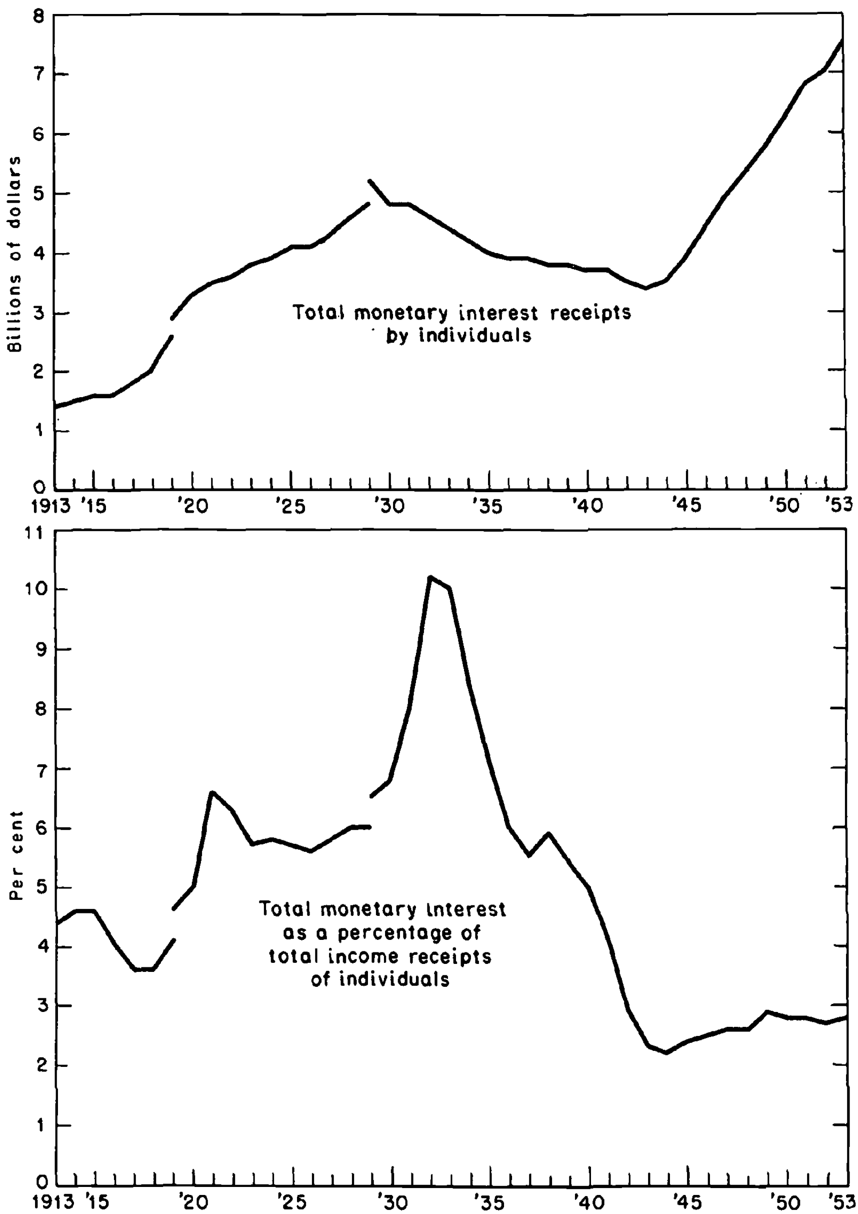
Source: Simon Kuznets, *Shares of Upper Income Groups in Income and Savings* (National Bureau of Economic Research, 1953), pp. 570–571, 576–577. Kuznets uses three separate series: (a) 1913–1919, estimates of W. I. King, *The National Income and Its Purchasing Power* (NBER, 1930), and an unpublished extension of the 1913 data, modified by Kuznets (Simon Kuznets, *National Product in Wartime* [NBER, 1945]); (b) 1919–1929, Simon Kuznets, *National Income and Its Composition, 1919–1938* (NBER, 1941); (c) 1929–1953, *National Income Supplement*, 1954, *Survey of Current Business;* and *Statistical Abstract of the United States, 1953.*

Excluded from the figures used here for total personal income are imputed rent, imputed interest, inventory valuation adjustments, business transfers except cash prizes, and government contributions to military family allowances.

Interest receipts of nonprofit institutions furnishing services to individuals and current accruals of interest (discount) on individuals' holdings of United States savings bonds are included, while interest received by individuals from other individuals are excluded, from the personal interest income figures of the Department of Commerce which are used here.

CHART 1

INTEREST COMPONENT OF PERSONAL INCOME RECEIPTS, 1913–1953



Source: Table 1.

source of income, the annual amounts received by individuals in the United States have varied substantially in both directions since 1913. This may be seen in Table 1 and Chart 1, which present annual estimates of total explicit or monetary interest receipts of individuals in the United States in the period 1913–1953. The figures were obtained by joining estimates made by Simon Kuznets for 1913–1929 with those of the Department of Commerce for years beginning with 1929.[1]

Annual receipts of interest by individuals more than tripled between 1913 and 1929. Then the total fell during the next fourteen years, reaching a level in 1943 about 35 per cent below that of 1929. In contrast, dividends paid to individuals in 1943 were only 23 per cent lower than in 1929, while employee compensation, entrepreneurial income, and rents were all much higher.[2] Personal interest receipts began a vigorous upturn in 1944, but despite a great growth in public and private debt they did not overtake the 1929 total until 1948. A comparison of the year-to-year movements of personal receipts of interest and dividends in 1913–1953 is shown in Table 2 and Chart 2.

Most striking in the record of personal interest receipts is the long and pronounced decline in their relative importance as a component of total personal incomes since 1933 (Table 1 and lower section of Chart 1). Interest had contributed a rising proportion of total personal income receipts between 1913 and 1929. In 1929, the first year of the present series of national income estimates of the Department of Commerce, the money interest receipts of individuals constituted 6.5 per cent of their total income receipts. During the early years of the Great Depression the more drastic shrinkage of other sources of income caused the share of interest in total personal income to rise above 10 per cent in 1932 and 1933, though the absolute amount fell substantially. After 1933 the percentage importance of interest declined sharply and almost uninterruptedly until it reached a low of slightly more than 2 per cent in 1944. Since then the proportion has fluctuated somewhat between $2\frac{1}{2}$ and 3 per cent.

The record low levels in the relative importance of interest in total personal income receipts in recent years resulted in largest part from the vastly disproportionate increases in other sources of income. Whereas employee compensation rose from \$46 billion to \$200 billion between 1939 and 1953 and entrepreneurial income, from \$11 billion to \$38 billion, money interest receipts of individuals rose only from \$3.8 billion to \$7.5 billion.[3]

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[1] See note to Table 1.

[2] *National Income Supplement, 1954, Survey of Current Business*, Dept. of Commerce.

[3] *Ibid.*, and special tabulation by Dept. of Commerce of net rent of owner-occupied farm dwellings, the amounts of which we deduct from entrepreneurial income.

2. *Interest income more widely diffused among the different income groups*

The figures for 1917–1948 presented by Simon Kuznets in his *Shares of Upper Income Groups in Income and Savings* and those compiled from income tax returns for subsequent years show that a marked reduction has taken place in the concentration of interest receipts in the upper income groups. Correspondingly, there has been an increased diffusion of interest income among the population as a whole. Whereas the top 5 per cent of the population, when ranked according to the size of family income per member, received 51 per cent of the total personal interest income in 1919 and an average of 43.4 per cent of the total in 1918–1938, their proportion had fallen to 26 per cent in 1948.[4] The share of the top 1 per cent of the population fell from 37 per cent of all personal interest income in 1919 to $15\frac{3}{4}$ per cent in 1948. Conversely, the lower 95 per cent of the population, who had obtained only 49 per cent of total personal interest receipts in 1919, received 74 per cent in 1948.

Although the relative importance of interest as a component of personal income declined substantially for all income groups, the decline was greatest in the upper income groups. In 1919 the top 1 per cent of the population obtained 13.4 per cent of their aggregate income from interest; ten years later the proportion was still 12.9 per cent; but by 1948 it had shrunk to 4.6 per cent.[5] The top 5 per cent of the population, whose interest receipts had accounted for 10.3 per cent of their total income in 1919 and 10.9 per cent in 1929, obtained only 3.7 per cent of their total income from this source in 1948. For the lower 95 per cent of the population the percentage of income obtained from interest was 2.9 per cent in 1919 and 2.2 per cent in 1948.

These figures, as well as those from income tax returns in recent years, are in contrast with a still common notion that members of the uppermost income groups in the United States obtain a large fraction of their incomes by clipping and cashing maturing interest coupons on their bond holdings and from interest receipts on mortgages and other loans. The income tax figures indicate that in the ten years ending in 1950, taxable interest contributed an average of only about 3 cents of each dollar of adjusted gross income reported by all taxpayers with incomes exceeding \$25,000. (Adjusted gross income is statutory net income before the allowable personal deductions such as interest and taxes paid, charitable contributions, medical expenses, and casualty losses.) The major sources of taxable individual incomes over \$25,000

[4] Simon Kuznets, *Shares of Upper Income Groups in Income and Savings* (National Bureau of Economic Research, 1953), Table 123, pp. 647 ff.

[5] *Ibid.*, Table 125, pp. 668 ff.

in 1941–1950 were dividends, salaries, and entrepreneurial income from unincorporated business. In 1950 the proportion that taxable interest contributed to the total adjusted gross income of each of nine income size groups was as follows:

Income size group	Per cent
$500,000 and over	2.9
$100,000–$500,000	3.0
50,000– 100,000	2.9
25,000– 50,000	2.8
10,000– 25,000	2.2
5,000– 10,000	0.9
3,000– 5,000	0.4
2,000– 3,000	0.5
Less than $ 2,000	0.8

TABLE 2

COMPARISON OF INTEREST AND DIVIDENDS IN PERSONAL INCOME, 1913–1953

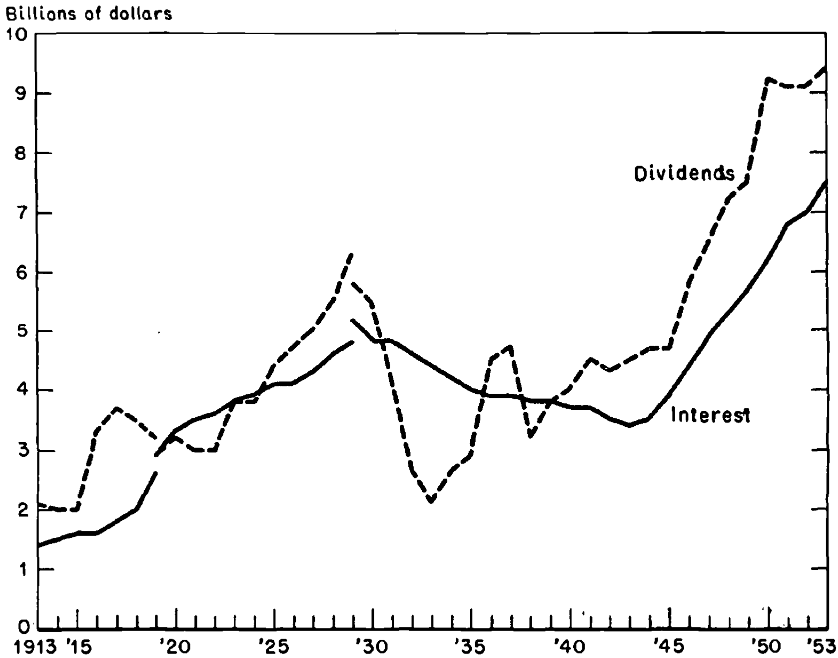
(Billions of Dollars)

Year	Dividends	Monetary interest	Year	Dividends	Monetary interest
1913	2.1	1.4	1932	2.6	4.6
1914	2.0	1.5	1933	2.1	4.4
1915	2.0	1.6	1934	2.6	4.2
1916	3.3	1.6	1935	2.9	4.0
1917	3.7	1.8	1936	4.5	3.9
1918	3.5	2.0	1937	4.7	3.9
1919	3.2	2.6	1938	3.2	3.8
			1939	3.8	3.8
1919	2.9	2.9	1940	4.0	3.7
1920	3.2	3.3	1941	4.5	3.7
1921	3.0	3.5	1942	4.3	3.5
1922	3.0	3.6	1943	4.5	3.4
1923	3.8	3.8	1944	4.7	3.5
1924	3.8	3.9	1945	4.7	3.9
1925	4.4	4.1	1946	5.8	4.4
1926	4.7	4.1	1947	6.5	4.9
1927	5.0	4.3	1948	7.2	5.3
1928	5.5	4.6	1949	7.5	5.7
1929	6.3	4.8	1950	9.2	6.2
			1951	9.1	6.8
1929	5.8	5.2	1952	9.1	7.0
1930	5.5	4.8	1953	9.4	7.5
1931	4.1	4.8			

Source: Same as in Table 1.

CHART 2

COMPARISON OF INTEREST AND DIVIDENDS IN PERSONAL INCOME, 1913–1953



Source: Table 2.

Of the 4,410,271 tax returns reporting interest income in 1950, 3,667,607 of them reported interest income of $500 or less, and only 27,161 reported interest income of more than $5,000 (Table 3). The latter group accounted for 15.8 per cent of the total interest income reported on all returns.

Unlike Kuznets' estimates the figures drawn from income tax returns are subject to the qualification that they do not include interest from tax-exempt securities. Such securities are doubtless held in relatively greater amounts among the upper income groups than among the lower. Nevertheless, as recently as 1941—the latest year for which this information was reported on income tax returns—individuals with incomes of $5,000 and over reported only 39 per cent of the state and local government securities estimated to be in the hands of individuals.[6] After allowing for the holdings of taxable fiduciaries and for underreporting, George Lent's estimates indicate that individuals with

[6] George E. Lent, *The Ownership of Tax-Exempt Securities, 1913–1953* (National Bureau of Economic Research, Occasional Paper 47 (1954), Table 7. Between 1924 and 1942 the law required individuals with incomes of $5,000 or more to report on their income tax returns the amount of their holdings of tax-exempt securities and the amount of interest obtained therefrom.

TABLE 3

ESTIMATED INTEREST ON ALL RETURNS REPORTING INTEREST, BY SIZE OF INTEREST INCOME REPORTED, 1950

Size of interest income reported (thousands of dollars)	No. of returns in each group (1)	Average interest reported per return (2)	Total interest income of each group (1)×(2) (thousands of dollars) (3)	Percentage of total interest in each group (3)÷total (per cent) (4)
Under 0.1	2,041,369	50	102,068	6.17
0.1–0.2	782,152	150	117,323	7.09
0.2–0.3	406,642	250	101,660	6.14
0.3–0.4	267,209	350	93,523	5.65
0.4–0.5	170,235	450	76,606	4.63
0.5–1.0	409,048	750	306,786	18.53
1.0–1.5	138,969	1,250	173,711	10.49
1.5–2.0	65,106	1,750	113,936	6.88
2.0–2.5	37,753	2,250	84,944	5.13
2.5–3.0	22,858	2,750	62,860	3.80
3–4	26,829	3,500	93,902	5.67
4–5	14,940	4,500	67,230	4.06
5–10	20,114	6,385.6	128,440	7.76
10–25	6,054	14,564.5	88,173	5.33
25–30	809	33,735.7	27,292	1.65
50–100	148	66,878.0	9,898	0.60
101 or over	36	198,775.9	7,156	0.43
Total	4,410,271		1,655,508	100.01
Actual total reported in *Statistics of Income*			1,595,604	
Overestimate			59,904	
Per cent overestimated			3.75	

Source: For returns reporting interest income of less than $5,000, the average amount of interest per return in each interest size group was estimated by assuming that it equalled the midpoint of the size group. The number of returns in each group was obtained from *Statistics of Income*. Because of the wider limits of the interest size groups of $5,000 and over, the midpoint was not deemed representative of the average. In these groups the average amount of interest per return was estimated by assuming that the number of returns within each interest size group, as reported in *Statistics of Income*, was distributed similarly to the distribution of returns reporting adjusted gross income of the same amounts.

incomes of less than $5,000 owned nearly one-half of the state and local government securities in individual hands in 1941.[7] We estimate below,

[7] Unpublished estimate of George E. Lent.

moreover, that individuals' interest receipts from tax-exempt securities fell by more than one-half between 1932 and 1949.

In the taxable estate tax returns filed in 1949, as reported in *Statistics of Income for 1948*, wholly tax-exempt securities constituted 0.5 per cent of gross estates under $100,000, 1 per cent of those between $100,000 and $500,000, 3.2 per cent of those between $500,000 and $1 million, 8.4 per cent of $1 million to $5 million, 17 per cent of $5 million to $10 million, and 32.2 per cent of gross estates of $10 million and over. For estates under $5 million the proportions represented by tax-exempt securities in 1949 were considerably smaller, on the average, than the proportions in the years 1934–1945 and for estates of $5 million and over, slightly greater.

Although the exclusion of tax-exempt interest causes the role of interest in the composition of income to be somewhat understated for all income groups in figures taken from income tax returns, and to be more understated for larger than for smaller incomes, the understatement is relatively small for any broad income size group. Tax-exempt interest doubtless bulks large in the incomes of some individuals. But entrepreneurial profits, dividends, capital gains, and salaries dwarf tax-exempt interest in importance for each group as a whole. This is true even of the highest income groups, which owe the bulk of their aggregate incomes to dividends, entrepreneurial profits, and capital gains.[8] Even if, in the face of the sharp decline in total tax-exempt interest received by individuals and of the evidence from estate tax returns, we were to assume that the amount of fully tax-exempt interest received in 1949 by taxpayers with adjusted gross income of $100,000 or more was twice as great as the amount of such interest reported by these income groups in 1940, their tax-exempt interest would equal only 3.9 per cent of the adjusted gross income they reported. Thomas R. Atkinson found that in 1949 state and local government obligations represented only 2.3 per cent of the total financial assets of all Wisconsin individuals with incomes of $50,000 or more and only 1.2 per cent of the financial assets of those with incomes of $20,000–50,000.[9]

The lower among taxable income groups have received a surprisingly large porportion of the aggregate interest income reported on taxable individual returns in recent years. Individuals with incomes under $5,000 accounted for an average of 41 per cent of the annual totals of taxable interest in the ten years 1941–1950, and even those with incomes under $3,000 accounted for an average of 25 per cent of the annual totals in this period (Tables 4 and 5).

[8] Kuznets, *op. cit.*, Table 125, pp. 668 ff.

[9] Thomas R. Atkinson, "The Pattern of Financial Asset Ownership" (National Bureau of Economic Research, mimeographed).

The lower among the taxable income groups have consistently received a much larger proportion of total interest income than of total dividend receipts reported on taxable returns. Taxpayers with incomes under $5,000 accounted for an average of only 13 per cent of the annual total of dividends reported on taxable returns in the 33 years 1918–1950 as compared with 36 per cent of the total interest. In 1941–1950 they accounted for an average of 21 per cent of the total dividends so reported as against 41 per cent of total interest.

These figures accord in a general way with Atkinson's findings with respect to the pattern of financial asset ownership of individuals in Wisconsin in 1949.[10] Atkinson found that individuals with incomes less than $5,000 tend to concentrate much of their financial assets in debt obligations, particularly such kinds as savings bank deposits, building and loan association shares, and life insurance policies but that corporate stocks become progressively more important in higher income groups. Similarly, Joseph A. Pechman, in analyzing the patterns of income revealed by a study of the 1936 Wisconsin state income tax returns, found that interest was the second most frequent source of income for wage earners with less than $2,000 income and for entrepreneurs with incomes under $1,000, as well as for entrepreneurs with incomes between $6,000 and $8,000.[11]

3. *Long decline in personal interest income after 1929 and relatively moderate growth in recent years in the face of large increases in debt*

It is easy to point to the major reasons for the substantial decline in the absolute amounts of interest received by individuals during the 1930's but less easy to account fully for the only moderate recovery in the 1940's, when immense increases took place in the amount of interest-bearing debt outstanding in the United States.

In the years immediately following 1929 the shrinkage in personal interest income reflected in part a general contraction in the total amount of interest payments, both to individuals and corporations. Such payments fell sharply in the early years of the Great Depression as bank and other loans were reduced and as defaults took place on large amounts of bonds of railroad and other domestic corporations, foreign governments and corporations, and on residential and farm mortgages. Gross annual monetary interest payments in the United States fell from $13.6 billion in 1929 to $8.8 billion in 1935, as estimated

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[10] *Ibid.*

[11] Frank A. Hanna, Joseph A. Pechman, and Sidney M. Lerner, *Analysis of Wisconsin Income*, Studies in Income and Wealth, Volume Nine (National Bureau of Economic Research, 1948), Chap. 2.

TABLE 4

PERCENTAGE SHARES OF DIFFERENT INCOME GROUPS IN TOTAL INTEREST REPORTED ON TAXABLE INDIVIDUAL AND FIDUCIARY RETURNS, 1918–1950

	Net income classes* (thousands of dollars)								
	Less than 2	2–3	3–5	5–10	10–25	25–50	50–100	100–500	500 and Over
1918	7.7	12.7	18.5	16.9	15.3	9.2	7.1	8.7	4.0
1919	6.9	8.2	17.5	18.3	18.2	10.9	7.8	9.1	2.9
1920	7.5	12.6	18.6	18.1	18.5	10.5	7.1	5.5	1.5
1921	8.8	9.2	20.8	19.5	19.7	10.6	6.3	4.3	0.8
1922	7.3	8.0	19.5	19.3	20.0	11.5	7.5	5.5	1.5
1923	9.7	10.9	27.5	15.3	16.7	9.2	5.5	4.1	1.1
1924	9.0	10.8	29.4	13.0	16.2	9.5	6.1	4.7	1.3
1925	4.1	6.3	18.2	17.5	22.7	13.4	8.5	7.0	2.3
1926	4.0	6.3	15.2	19.1	23.7	13.3	8.7	7.3	2.3
1927	3.3	5.7	13.1	19.6	24.6	13.8	9.2	8.0	2.7
1928	3.4	6.4	13.4	18.6	22.6	13.1	9.3	9.0	4.2
1929	2.9	5.7	12.4	18.8	23.5	13.4	9.3	9.3	4.8
1930	4.7	7.4	14.4	20.8	24.8	12.5	7.6	5.9	2.1
1931	4.0	7.4	14.3	23.6	27.2	11.4	6.6	4.1	1.4
1932	9.6	9.3	17.4	22.2	20.5	11.5	5.8	3.2	0.6
1933	11.2	9.9	17.2	21.8	19.4	10.7	5.6	3.5	0.7
1934	7.6	6.8	15.6	24.3	25.1	11.5	5.5	2.9	0.7
1935	6.9	6.5	15.0	23.7	25.1	12.3	6.3	3.5	0.7
1936	9.8	8.6	17.7	19.1	20.7	11.3	6.9	4.7	1.3
1937	10.0	8.1	17.4	20.1	21.3	10.9	6.4	4.5	1.3
1938	15.6	9.0	18.3	20.5	19.9	8.6	4.1	3.0	1.0
1939	15.2	8.8	17.5	19.8	19.9	9.4	4.7	3.5	1.2
1940	18.6	13.4	17.3	17.1	17.1	8.2	4.1	3.1	1.0
1941	23.5	16.3	18.1	14.1	14.1	6.7	3.6	2.9	0.8
1942	25.7	15.0	15.2	13.7	15.1	7.7	4.1	2.9	0.5
1943	23.7	12.5	14.4	15.4	16.4	8.6	4.9	3.6	0.6
1944	15.7	10.9	16.0	17.6	18.7	9.7	5.9	4.2	1.4
1945	13.9	10.9	14.6	18.1	20.0	10.4	6.2	4.5	1.4
1946	10.9	9.9	14.9	18.2	21.1	11.4	6.8	5.2	1.6
1947	10.9	10.1	14.9	18.8	20.9	11.1	6.4	5.3	1.6
1948	5.4	7.6	15.7	21.0	21.9	12.6	7.8	6.5	1.7
1949	6.6	8.4	17.2	22.1	20.6	11.5	6.9	5.4	1.4
1950	5.3	6.9	15.0	21.5	22.0	13.4	7.9	6.3	1.7

* In 1944 changed to Adjusted Gross Income Classes.

Note: The figures do not necessarily add to 100 per cent due to rounding.

Source: *Statistics of Income.* For the years 1918 through 1930, the figures for interest include annuities and dividends from foreign corporations (except those with more than 50 per cent of gross income from sources in the United States), both of which were lumped with interest as "Interest and other income" in *Statistics of Income.*

For the years 1927–1931 and 1932–1936, respectively, when *Statistics of Income* combined

TABLE 5

INTEREST REPORTED ON TAXABLE RETURNS, BY INCOME CLASSES, 1918–1950

(Millions of Dollars)

Year	Net income classes* (thousands of dollars)									
	Less than 2	2–3	3–5	5–10	10–25	25–50	50–100	100–500	Over 500	Total
1918	99.9	165.5	241.0	220.6	199.5	120.5	92.9	113.8	51.8	1,305.6
1919	96.7	114.9	244.4	255.5	254.6	152.3	108.6	127.2	41.1	1,395.3
1920	111.2	186.3	276.2	268.7	274.8	156.0	105.2	81.4	22.3	1,482.0
1921	110.5	115.8	263.0	246.4	249.3	134.4	79.5	53.8	9.7	1,262.2
1922	104.7	115.4	281.2	278.3	289.0	165.3	107.7	78.9	21.4	1,441.8
1923	181.8	204.0	514.1	285.3	311.5	172.7	103.5	76.3	20.2	1,869.3
1924	181.6	216.1	591.4	260.4	326.3	190.6	122.7	94.7	25.2	2,009.0
1925	67.3	103.3	297.9	287.7	372.4	219.7	140.3	114.7	37.8	1,641.0
1926	70.5	111.2	267.9	336.1	416.9	233.1	152.1	128.5	40.8	1,757.1
1927	59.7	104.6	240.2	359.0	451.4	252.2	169.4	147.4	49.7	1,833.6
1928	69.7	130.2	272.8	377.7	459.5	265.3	188.5	183.6	85.2	2,032.5
1929	58.0	114.1	249.7	380.3	473.4	270.5	188.1	187.4	97.0	2,018.5
1930	79.5	126.3	245.7	354.6	423.1	213.2	130.4	100.3	35.4	1,708.4
1931	46.2	84.1	162.8	269.1	310.4	130.0	75.7	47.1	15.6	1,141.0
1932	96.7	93.9	176.0	224.6	207.0	116.2	59.2	32.1	6.4	1,012.1
1933	94.7	83.9	145.9	184.7	164.6	90.8	47.3	29.5	6.2	847.5
1934	61.8	55.1	127.3	197.5	204.5	93.9	44.4	23.5	6.0	813.9
1935	56.5	53.1	121.6	193.0	204.1	99.7	51.5	28.2	5.3	813.0
1936	88.5	77.8	159.8	172.0	186.8	101.8	62.4	42.3	11.3	902.7
1937	88.4	71.8	153.1	177.1	187.9	96.1	56.7	39.5	11.6	882.3
1938	135.3	77.7	158.7	177.2	172.4	74.8	35.2	25.7	9.1	866.1
1939	136.5	78.9	157.8	178.3	179.2	84.9	42.1	31.5	10.9	900.3
1940	183.9	132.6	170.8	169.0	169.2	80.8	40.4	30.5	10.3	987.5
1941	269.7	187.0	207.5	161.8	161.6	76.9	40.9	33.8	9.0	1,148.2
1942	293.5	171.9	173.5	157.1	172.7	87.9	46.3	33.3	6.2	1,142.3
1943	259.2	136.5	158.2	168.2	179.2	94.5	53.4	39.3	7.0	1,095.4
1944	169.1	118.2	172.5	190.4	201.4	104.2	63.3	45.9	14.7	1,079.7
1945	148.8	116.1	155.8	193.3	214.2	111.4	66.7	47.6	14.8	1,068.6
1946	133.7	122.0	182.4	222.9	259.5	139.4	83.7	64.3	19.7	1,227.6
1947	136.2	126.1	185.5	234.2	260.2	138.7	80.2	65.5	19.9	1,246.5
1948	70.0	98.4	204.0	273.2	284.4	164.0	101.1	84.5	21.5	1,301.2
1949	99.8	126.7	260.6	335.1	311.7	173.6	104.0	81.8	21.5	1,514.8
1950	86.1	111.6	243.1	348.7	356.0	216.3	127.1	102.1	27.5	1,618.5

* In 1944 changed to Adjusted Gross Income Classes.

Note: The figures do not necessarily add to total due to rounding.

Source: Same as in Table 4.

nontaxable returns with taxable returns for net incomes of $5,000–10,000 and $5,000–6,000, interest on taxable returns was estimated by assuming that it constituted the same ratio of total reported interest as the ratio of net income on taxable returns to total net income reported.

For the years 1941–1943, interest was combined with dividends, rents, royalties (for 1941 only), and annuities on 1040A (short-form) returns. Interest was estimated for these years by assuming it constituted the same ratio of these components of income as in 1040 (long-form) returns.

by the Department of Commerce. Total personal interest receipts fell from $5.2 billion in 1929 to $4.0 billion in 1935. The amount of personal interest income continued to shrink until the entrance of the United States into World War II and did not rise above its 1929 level until 1948 despite a large and rapid growth in the total of public and private debt during the war and postwar years.

The net amounts of public and private debt outstanding, as defined by the Department of Commerce but modified to exclude debt bearing no interest, are shown for selected years, by classes of borrowers, in Table 6. Net public and private debt is defined to exclude government obligations held by federal, state, or local governments or their agencies or trust funds; corporate obligations held by the issuer or its close affiliate; and short-term debts of individuals and nonfinancial unincorporated business enterprises owed to other such enterprises and individuals. It also excludes bank deposits and the value of outstanding life insurance and annuity policies. The total fell from $160 billion in 1930 to $142 billion in 1933. It rose slowly during the remainder of the 1930's, approximating its 1930 level in 1940. Then it more than doubled in the next five years, reaching $362 billion in 1945. The whole of this $202 billion increase in this period was in the federal debt and was mainly occasioned by World War II. The federal government then reduced its debt by $24 billion between 1945 and 1953, but the net debt of other borrowers more than doubled, causing the total net public and private interest-bearing debt at the end of 1953 to be greater than that at the end of 1945 by $141 billion, or 39 per cent, and greater than that at the end of 1929 by $345 billion, or 218 per cent.

For 1943, interest includes partially tax-exempt dividends.

For 1944–1945, when interest and dividends were reported together on income tax returns, interest was estimated by assuming that the ratios between interest and dividends in 1944–1945 were the same as in 1946.

Prior to 1937, interest received by fiduciaries was not tabulated separately from their other income. We estimated interest to constitute the following percentages of the adjusted gross income of fiduciaries in this period: 1922–1930, 0.33; 1931–1935, 0.40; 1936, same as 1937. For years beginning with 1937, the amount of interest included in individuals' taxable income from fiduciaries was estimated to constitute the same proportion of their total income from fiduciaries as interest was of the adjusted gross income of fiduciaries.

Two elements in these procedures work to produce small opposing errors: (1) Some understatement of interest occurs because long-term capital gains are included in the adjusted gross income of fiduciaries, thereby making the ratio of interest to their adjusted gross income lower than it otherwise would be. Since long-term capital gains are reported separately by the beneficiaries and are not included in income from fiduciaries, our estimate of interest from fiduciaries is somewhat less than it should be. (2) Some overstatement of interest arises, on the other hand, because a portion of interest directly reported on taxable fiduciary returns is distributed to beneficiaries as income from fiduciaries and is thus included twice in our estimates of interest. The duplication appears to be very small, however. In 1947, for example, if all the interest income of fiduciaries went to beneficiaries filing taxable returns—an extreme assumption, the maximum overestimation of interest from fiduciaries would be about 3 per cent.

Excluded from our figures for 1944–1947 and 1948–1950 is the interest portion of the total of dividends and interest not exceeding $100 per return, reported by taxpayers filing W2 returns in the former period and 1040A in the latter.

TABLE 6

NET INTEREST-BEARING PUBLIC AND PRIVATE DEBT AT END OF CALENDAR YEARS, 1918–1953

(Billions of Dollars)

	Federal government	State and local government	Long-term corporate	Farm mortgage	Nonfarm mortgage	Short-term corporate	Non-mortgage, non-corporate	Total interest-bearing debt
1918	21	5	30	7	10	7	27	106
1919	25	5	31	8	10	7	24	112
1920	23	6	33	10	12	8	25	117
1921	23	7	34	11	13	8	25	120
1922	23	8	34	11	14	9	25	123
1923	21	8	36	11	16	9	25	127
1924	21	9	39	10	19	9	26	132
1925	20	10	40	10	21	10	27	137
1926	19	11	42	10	24	10	27	142
1927	18	11	44	10	27	10	27	148
1928	17	12	46	10	30	10	29	154
1929	16	13	47	10	31	11	29	158
1930	16	14	51	9	32	9	28	160
1931	18	16	50	9	31	8	23	154
1932	21	16	49	8	29	6	18	148
1933	24	16	48	8	26	5	15	142
1934	30	16	45	8	26	5	15	143
1935	33	16	44	7	25	5	16	145
1936	37	16	43	7	24	5	17	149
1937	39	16	44	7	24	7	18	154
1938	40	16	45	7	24	5	17	154
1939	42	16	44	7	25	5	17	156
1940	44	16	44	6	26	5	18	160
1941	56	16	44	6	27	6	20	175
1942	101	15	43	6	27	8	15	214
1943	153	14	41	5	26	8	15	263
1944	210	14	40	5	26	9	17	321
1945	250	13	38	5	27	7	20	362
1946	228	14	41	5	32	9	20	350
1947	221	15	46	5	39	12	24	361
1948	214	17	52	5	45	12	29	376
1949	216	19	57	6	51	12	33	394
1950	216	22	60	6	59	18	39	420
1951	216	24	66	7	67	22	42	444
1952	221	27	73	7	75	22	48	474
1953	226	30	79	8	84	23	53	503

Sources: Federal debt: *Survey of Current Business*, September 1953, October 1954; *Annual Report of the Secretary of the Treasury*, 1952. Matured and non-interest-bearing debt was deducted from the total net federal debt outstanding at the end of calendar years as reported in the *Survey of Current Business* for years beginning with 1929; for prior years the June 30 figures for matured and non-interest-bearing debt as reported in the Treasury's annual report were averaged to obtain December 31 esti-

Certain important sources of interest income of individuals are excluded from the figures in Table 6. Among these are savings and time deposits in commercial and savings banks, the total amount of which increased from $22.1 billion to $63.6 billion between the end of 1924 and of 1952. Except for mortgage debt the amount of interest-bearing obligations of individuals and unincorporated enterprises owed to noncorporate creditors is also excluded.

4. *Decline in interest rates*

Contributing most conspicuously to the contraction of total interest payments after 1932 was the prolonged decline in interest rates that then began. One type of interest rate was reduced to zero and a related one severely limited by the Banking Act of 1933 which prohibited the payment of interest on demand deposits by any bank insured by the Federal Deposit Insurance Corporation and provided for regulating the maximum rate of interest that could be offered by such banks on time and savings deposits.

Interest rates on new issues of corporate and governmental debt securities and market yields on old issues fell almost continuously between 1932 and 1946. During this period the monthly average yield on Moody's Aaa corporate bonds fell from 5.01 per cent in 1932 to 2.53 per cent in 1946; that on Moody's Baa bonds fell from 9.30 to 3.05 per cent; and the average yield of long-term Treasury bonds fell from 3.68 for bonds issued when the interest was exempt from normal tax to 2.19 per cent for fully taxable bonds (Table 7, Chart 3). (For corporate investors the latter yield was reduced to about 1.66 per cent by the normal tax of 24 per cent, and to still lower levels for corporations with

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mates, and these were deducted from the December 31 totals of net federal debt reported in the *Survey of Current Business.*

State and local government debt: *Survey of Current Business*, September 1953, October 1954, May 1955; *Indebtedness in the United States*, Dept. of Commerce, 1942; *Governmental Debt in 1952*, Dept. of Commerce, 1952. Non-interest-bearing debt was deducted from the Commerce figures, the amounts for 1929–1941 and 1944–1952 being obtained from the Commerce volumes cited, and estimated for the other years. The June 30 interest-bearing debt figures were averaged to obtain December 31 estimates.

Long-Term Corporate, Farm Mortgage, and Non-Farm Mortgage, *Survey of Current Business*, September 1953, October 1954.

Short-Term Corporate: R. W. Goldsmith's unpublished NBER monograph on capital requirements, *Statistics of Income.* Figures for 1912, 1922, 1929, and 1933 represent the non-real estate loans of all operating commercial banks to corporations as reported by Goldsmith. Figures for the intervening years were obtained by straight-line interpolation. Those for 1934–1936 are interpolations of Goldsmith's figures for 1933 and 1939. Figures for 1937–1952 were estimated from the balance sheet data in *Statistics of Income*, adjusted to cover corporations not submitting balance sheets.

Nonmortgage-Noncorporate: *Survey of Current Business*, September 1953, October 1954; Rolf Nugent, *Consumer Credit and Economic Stability* (Russell Sage Foundation, 1939), *Federal Reserve Bulletin*, April 1953. From the total net nonmortgage-noncorporate debt figures reported by the Dept. of Commerce, we deducted our estimates of consumers' non-interest-bearing charge account and service debt, estimates based on the data reported in Nugent, *op. cit.*, and the *Federal Reserve Bulletin.*

TABLE 7

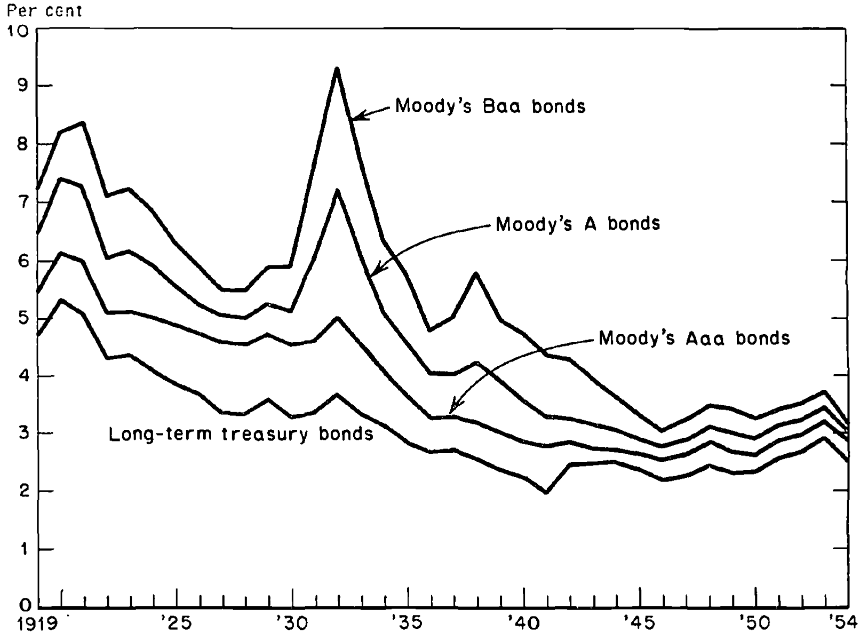
YIELDS ON UNITED STATES TREASURY AND CORPORATE BONDS, 1919–1954

Year	Long-term treasury bonds	Moody's corporate bonds		
		Aaa	A	Baa
1919	4.73	5.49	6.48	7.25
1920	5.32	6.12	7.41	8.20
1921	5.09	5.97	7.28	8.35
1922	4.30	5.10	6.03	7.08
1923	4.36	5.12	6.17	7.24
1924	4.06	5.00	5.93	6.83
1925	3.86	4.88	5.55	6.27
1926	3.68	4.73	5.24	5.87
1927	3.34	4.57	5.04	5.48
1928	3.33	4.55	5.01	5.48
1929	3.60	4.73	5.28	5.90
1930	3.29	4.55	5.13	5.90
1931	3.34	4.58	6.01	7.62
1932	3.68	5.01	7.20	9.30
1933	3.31	4.49	6.09	7.76
1934	3.12	4.00	5.08	6.32
1935	2.79	3.60	4.55	5.75
1936	2.65	3.24	4.02	4.77
1937	2.68	3.26	4.01	5.03
1938	2.56	3.19	4.22	5.80
1939	2.36	3.01	3.89	4.96
1940	2.21	2.84	3.57	4.75
1941	1.95	2.77	3.30	4.33
1942	2.46	2.83	3.28	4.28
1943	2.47	2.73	3.13	3.91
1944	2.48	2.72	3.06	3.61
1945	2.37	2.62	2.87	3.29
1946	2.19	2.53	2.75	3.05
1947	2.25	2.61	2.87	3.24
1948	2.44	2.82	3.12	3.47
1949	2.31	2.66	3.00	3.42
1950	2.32	2.62	2.89	3.24
1951	2.57	2.86	3.13	3.41
1952	2.68	2.96	3.23	3.52
1953	2.93	3.20	3.47	3.73
1954	2.54	2.90	3.06	3.18

Source: *Treasury Bulletin* and Moody's Investors Service as reprinted in *Survey of Current Business.* Between Jan. 1, 1919 and Oct. 15, 1925, the Long-Term Treasury Bond series included all outstanding partially tax-exempt bonds not due or callable for 8 years or more; between Oct. 15, 1925, and Dec. 31, 1941, those not due or callable for 12 years or more; between the latter date and April 1, 1952, all fully taxable issues not due or callable for 15 years or more; since the last date, all fully taxable issues not due or callable for 12 years or more.

CHART 3

YIELDS ON UNITED STATES TREASURY AND CORPORATE BONDS, 1919–1954



Source: Table 7.

incomes subject to surtax.) Many millions of dollars of high-grade public utility and other corporate bonds, as well as much larger amounts of United States Treasury bonds, were refunded at, or in advance of, maturity during the latter half of the 1930's and in the 1940's by new issues carrying lower interest rates.

Reflecting reduced interest rates, primarily, five of the seven major sources of *private* interest payments, exclusive of financial institutions—all but consumer credit and nonfarm mortgages—were smaller in 1948 than in 1929, as may be seen in the figures for selected years in Table 8. Total interest payments from these seven sources, which had been $7.9 billion in 1929, fell to $4.6 billion in 1940, after which they began an ascent which brought them to $5.6 billion in 1948 and to $10.4 billion in 1953.

5. *Institutionalization of investment*

One reason for the reduced level of total personal interest income in

TABLE 8

MONETARY INTEREST PAYMENTS ON SELECTED TYPES OF DEBT, 1929–1953

(Millions of Dollars)

	Mortgages on nonfarm dwellings	Farm mortgages	Debt of transportation and utility corporations	Debt of other non-banking corporations	Consumer credit	Loans from brokers	Net inflow of interest from abroad	Total interest, selected types of private debt	Government interest payments
1929	1,560	582	1,387	2,358	443	951	577	7,858	1,506
1930	1,549	570	1,468	2,312	444	264	608	7,215	1,513
1931	1,571	553	1,567	2,023	366	100	550	6,730	1,521
1932	1,538	526	1,551	1,768	259	45	426	6,113	1,574
1933	1,425	472	1,490	1,524	196	32	324	5,463	1,689
1934	1,336	430	1,314	1,691	221	32	242	5,266	1,849
1935	1,275	396	1,293	1,588	276	15	207	5,050	1,831
1936	1,232	364	1,244	1,500	386	33	195	4,954	1,868
1937	1,214	341	1,183	1,498	490	38	160	4,924	2,019
1938	1,192	320	1,176	1,382	458	22	138	4,688	1,920
1939	1,167	305	1,156	1,336	500	25	127	4,616	1,941
1940	*1,172*	*293*	*1,077*	*1,345*	*616*	*20*	*120*	*4,643*	*2,059*
1941	1,217	284	1,035	1,320	743	17	126	4,742	2,088
1942	1,238	272	1,053	1,207	530	15	130	4,445	2,407
1943	1,184	246	1,035	1,105	326	20	115	4,031	3,141
1944	1,147	230	978	1,097	303	26	118	3,899	3,895
1945	1,131	220	951	1,095	328	32	130	3,887	4,934
1946	1,204	216	838	1,122	496	25	135	4,036	5,772
1947	1,372	222	839	1,340	784	18	168	4,743	5,751
1948	1,592	229	873	1,548	1,085	23	224	5,574	5,904
1949	1,783	242	959	1,735	1,310	26	230	6,285	6,196
1950	2,061	264	996	1,857	1,675	48	248	7,149	6,428
1951	2,361	291	1,063	2,228	1,857	65	312	8,177	6,652
1952	2,649	319	1,149	2,464	2,110	72	317	9,080	7,023
1953	2,974	349	1,220	2,732	2,644	99	333	10,351	7,441

Source: Office of Business Economics, Dept. of Commerce and *National Income Supplement, 1954, Survey of Current Business.*

spite of the immense increase in the total outstanding public and private debt (Table 6) has been the continuing growth of financial intermediaries as holders of interest-yielding securities. Raymond W. Goldsmith has estimated that the main groups of financial intermediaries, excluding personal trust departments of banks but including government lending institutions and social security systems, increased their total assets by $257 billion, or more than 206 per cent, between 1929 and 1949 (Table 9).[12] They raised their share of the total owner-

[12] Raymond W. Goldsmith, *The Share of Financial Intermediaries in National Wealth and National Assets, 1900–1949* (National Bureau of Economic Research, Occasional Paper 42, 1954), Table 1.

ship of each of the principal classes of interest-bearing securities outstanding in the United States as follows:[13]

	Per Cent of Total Held by Financial Intermediaries	
	1929	1949
United States government securities	46	64
State and local government securities	34	53
Corporation and foreign bonds	33	76
Mortgages	61	70

In consequence of this development much income that would formerly have been received directly as interest income of individuals now takes the form of additions to various types of claims against financial intermediaries and of dividends from corporations. The channeling of savings and investment through private life insurance companies, for example, caused their assets—most of which consist of bonds and mortgages—to increase from less than $9 billion in 1922 to $79 billion in 1953.[14] Interest-yielding investments that many individuals formerly made directly have in more recent years been made indirectly through life insurance companies. The effective exemption from personal income tax of the interest that policyholders earn on their accumulating life insurance reserves doubtless influences some persons to make some of their investments in this form rather than in the form of direct ownership of fixed-interest securities.

A development that considerably narrowed an important area of individual lending was the widespread adoption, under the leadership of the Federal Housing Administration, of the long-term amortized large value-ratio mortgage in the financing of residential construction and the consequent drastic reduction in the demand for junior lien financing in this field. During the 1920's the junior mortgage or subordinated land contract was a large source of interest income for many individuals. Because institutional investors then generally limited their first mortgage loans to 60 per cent or less of the appraised value of the property (the appraisals were sometimes excessively liberal, however), purchasers of houses commonly raised an additional 20 to 25 per cent

[13] *Ibid.*, adapted from Tables 11, 13, 14, 16. "Outstanding in the United States" means only the amounts held in this country of the bonds of foreign corporations but the total outstanding issues, whether held in this country or abroad, of American governments, corporations, and mortgages.

[14] *Life Insurance Fact Book*, Institute of Life Insurance.

TABLE 9

TOTAL ASSETS OF MAIN GROUPS OF FINANCIAL INTERMEDIARIES

(Billions of Dollars)

	1929	1949
Banking system:		
Federal Reserve Banks	5.46	45.39
Commercial banks	66.24	157.46
Mutual savings banks	9.87	21.49
Postal Savings System	0.17	3.31
Total	81.74	227.66
Insurance:		
Private life insurance companies	17.48	59.55
Fraternal life insurance organizations	0.85	1.98
Private self-administered pension funds	0.50	6.85
Federal, } pension, retirement, and	0.96	33.98
State and local } social security funds	0.52	4.87
Fire and marine insurance companies	3.08	6.56
Casualty and miscellaneous insurance companies	1.54	5.45
Mutual accident associations	0.09	0.28
Total	25.02	119.53
Miscellaneous financial intermediaries:		
Saving and loan associations	7.41	14.55
Credit unions	0.04	0.83
Investment companies	2.94	2.95
Investment-holding companies	4.35	2.44
Investment installment companies	0.05	0.29
Mortgage companies	0.78	0.50
Land banks	1.94	1.01
Government lending institutions	0.29	12.31
Total	17.81	34.87
Grand total	124.57	382.06

Source: Raymond W. Goldsmith, *The Share of Financial Intermediaries in National Wealth and National Assets* (National Bureau of Economic Research, Occasional Paper 42, 1954), Table 1. Slight discrepancies between components and totals are due to rounding.

by borrowing from others, largely individuals, on notes secured by a junior lien on the property. Under these circumstances a residential building boom, such as occurred during the 1920's, could lead to a substantial increase in the interest income of individuals. In the building boom that followed World War II, in contrast, institutional investors widely adopted the long-term amortized mortgage—with or without FHA insurance—under which they were often willing to lend 80 per cent or more of the value of the mortgaged property. In consequence, even apart from restrictions by the FHA against junior lien financing in connection with insured mortgages, the area for such financing was greatly reduced.

The direct participation of individual lenders in financing residential construction was further narrowed both by their exclusion from the list of eligible lenders in the FHA program of insured mortgages and by the stimulation of commercial bank lending in this field. Whereas the National Banking Act imposes severe restrictions on the freedom of national banks to make conventional mortgage loans, and substantially similar restrictions exist in many state banking laws, mortgage loans insured by the FHA or guaranteed by the Veterans' Administration were generally exempted from these limitations. Residential mortgage loans by commercial banks were thereby greatly stimulated. In 1926–1930 commercial banks accounted for 14 per cent of home mortgage loans; in 1946–1950 they accounted for 23 per cent of the much larger total.[15] Between 1935 and 1950 they originated about one-third of the total amount of FHA-insured home mortgage loans and about one-half of the total amount of FHA-insured loans on rental and cooperative housing projects.[16]

The continued growth of the corporate form of doing business and of owning property likewise tended to reduce direct individual investment in debt obligations. To the extent that ownership of mortgages, corporation and government bonds, and other debt passes from individuals into the hands of property-managing family corporations, financial corporations, and ordinary business enterprises, the interest income becomes merged with other corporate receipts and reaches individuals in the form of dividends and capital gains.

Further evidence of the increased importance of financial institu-

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[15] See Leo Grebler, *The Role of Federal Credit Aids in Residential Construction* (National Bureau of Economic Research, Occasional Paper 39, 1953), p. 39.

[16] *Ibid.*, p. 38.

tions as recipients of interest income is found in Table 10, which compares the amounts of monetary interest (total interest less "imputed" interest as defined below) received by individuals with the amounts received by the principal classes of financial institutions, as estimated by the Department of Commerce. As a group these institutions increased their interest receipts from a total roughly equal to that for individuals in 1929 to one about 20 per cent greater by 1948 and 41 per

TABLE 10

MONETARY INTEREST RECEIVED BY PRINCIPAL TYPES OF FINANCIAL INTERMEDIARIES COMPARED WITH MONETARY INTEREST RECEIVED BY INDIVIDUALS AND NONPROFIT ORGANIZATIONS, 1929–1953

(Millions of Dollars)

	Commercial banks	Federal Reserve banks	Mutual savings banks	Life insurance companies	Corporations in finance, n.e.c.	Savings and loan associations	Credit unions	Total for financial intermediaries	Total monetary interest received by individuals and nonprofit organizations
1929	2,626	68	516	893	573	548	4	5,228	5,198
1930	2,360	34	523	961	551	539	4	4,972	4,795
1931	2,104	27	550	1,015	374	496	4	4,570	4,843
1932	1,757	48	554	970	338	434	4	4,105	4,645
1933	1,387	48	500	911	275	373	3	3,497	4,421
1934	1,329	48	474	938	483	303	4	3,579	4,239
1935	1,305	41	432	948	492	260	5	3,483	4,039
1936	1,332	37	407	971	486	251	7	3,491	3,886
1937	1,367	40	403	993	522	257	10	3,592	3,883
1938	1,337	35	393	1,030	384	254	12	3,445	3,822
1939	1,369	38	378	1,080	375	265	16	3,521	3,761
1940	1,392	43	377	1,098	425	258	20	3,613	3,701
1941	1,504	41	370	1,129	408	273	25	3,750	3,672
1942	1,487	52	371	1,201	271	285	21	3,688	3,494
1943	1,637	69	375	1,243	214	281	15	3,834	3,391
1944	1,843	104	405	1,293	201	293	14	4,153	3,451
1945	2,083	142	451	1,383	210	317	15	4,601	3,903
1946	2,417	150	503	1,419	272	369	18	5,148	4,376
1947	2,585	158	529	1,502	338	437	27	5,576	4,874
1948	2,800	303	563	1,633	418	549	33	5,299	6,256
1949	2,977	316	606	1,826	461	571	42	6,799	5,737
1950	3,234	275	659	1,970	570	653	58	7,419	6,243
1951	3,626	394	683	2,274	565	750	67	8,359	6,775
1952	4,116	456	757	2,552	633	875	80	9,469	6,980
1953	4,610	513	846	2,782	714	1,051	106	10,622	7,545

Source: Office of Business Economics, Dept. of Commerce and *National Income Supplement, 1954, Survey of Current Business.*

cent greater by 1953. Life insurance carriers approximately doubled their interest receipts between 1929 and 1948, while monetary interest receipts of individuals in 1948 were only slightly above the 1929 level. The amounts for individuals include the interest receipts of nonprofit institutions furnishing services for individuals but exclude interest paid by some individuals to other individuals.

Similar evidence is provided by the growth in the absolute amount and relative importance of "imputed interest" as defined and estimated by the Department of Commerce. Such interest consists of the amount of the net property income of financial institutions that they spend to provide services for individuals. Table 11 presents figures for 1929–1953 together with those for total personal interest income, which is the sum of the monetary and "imputed" interest receipts of individuals and nonprofit institutions furnishing services to them. The imputed interest portion of total personal interest rose from about 30 per cent in 1929 to 44 per cent in 1953, and its absolute amount in the latter year was more than 165 per cent greater than in 1929. The monetary interest of individuals was 45 per cent above its 1929 level in 1953; and its proportion of total personal interest declined from 70 to 56 per cent between 1929 and 1953.

TABLE 11

TOTAL PERSONAL INTEREST, IMPUTED INTEREST PORTION, AND MONETARY INTEREST RECEIVED BY INDIVIDUALS AND NONPROFIT ORGANIZATIONS, 1929–1953

(Billions of Dollars)

Year	Total personal interest	Imputed interest	Monetary interest	Year	Total personal interest	Imputed interest	Monetary interest
1929	7.4	2.2	5.2	1942	5.8	2.3	3.5
1930	6.9	2.2	4.8	1943	5.8	2.4	3.4
1931	6.9	2.1	4.8	1944	6.2	2.7	3.5
1932	6.6	1.9	4.6	1945	6.9	3.0	3.9
1933	6.2	1.8	4.4	1946	7.6	3.2	4.4
1934	6.1	1.9	4.2	1947	8.2	3.3	4.9
1935	5.9	1.9	4.0	1948	9.0	3.7	5.3
1936	5.8	2.0	3.9	1949	9.8	4.0	5.7
1937	5.9	2.0	3.9	1950	10.6	4.4	6.2
1938	5.8	2.0	3.8	1951	11.6	4.8	6.8
1939	5.8	2.0	3.8	1952	12.3	5.3	7.0
1940	5.8	2.1	3.7	1953	13.5	5.9	7.5
1941	5.8	2.2	3.7				

Source: *National Income Supplement, 1954, Survey of Current Business.*