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CHAPTER X

ENTREPRENEURIAL AND PROPERTY INCOME AND INCOME FROM MISCELLANEOUS SOURCES

Properly speaking, all income falls into three divisions, namely — (1) the reward for the efforts of individuals,¹ or income from *Labor*, which in most cases is received in the form of wages and salaries; (2) the reward for the use of natural resources, or income from *Land*; and (3) the reward for the use of past labor conserved in conjunction with natural resources, — or the rent of Intermediate or Transition Goods commonly referred to as *Capital Goods*. It is, however, almost impossible to separate the income derived from the three sources. Our divisions are of necessity determined largely by the available material. They are as follows:

1. Wages and salaries.
2. Entrepreneurial and property income.
 - a. Returns on loaned capital.
 - b. Returns on rented or leased property.
 - c. Entrepreneurial gains.
3. Miscellaneous incomes.

Wages and salaries have already been discussed in full in Chapters II to VI. The income from this source evidently does not cover the remuneration for all productive efforts of individuals but only the portion which is disbursed to employees in payment for the performance of their duties.

ENTREPRENEURIAL AND PROPERTY INCOME

The returns on loaned capital and leased property constitute the income received by individuals in the form of interest and rent. We see that these returns are so restricted as to exclude from these categories imputed returns on property invested in the business

¹ This may be taken to include broadly the *entrepreneur*, customarily listed as a separate factor of production.

by entrepreneurs, the latter type of income being included in the share of entrepreneurs.

Entrepreneurial gains, as treated in this study, are not confined to "pure" profits but include all returns on property invested in the business as well as rewards for those efforts of entrepreneurs which, if exerted in behalf of others, would be considered as *labor*, and which would command a wage or salary. Consequently, we see that entrepreneurial income takes in returns of three distinct economic types.

As entrepreneurs own more of the property or capital used in the business than they lease or borrow, it follows that, next to wages and salaries, the entrepreneurial gains normally make up the largest single item in the national income. In addition to the income of all farmers, this item covers the income of roughly 3,700,000 individual entrepreneurs in non-agricultural pursuits and also part of the income of individuals not normally recorded as entrepreneurs. The corporate form of organization, which controls most of the larger industries of the country, makes it possible for wage and salary earners to participate in entrepreneurial gains as stockholders of corporations.

How is the entrepreneurial income distributed geographically? In 1919 this item for the entire United States amounted to over \$20,000,000,000. What portion was received by the inhabitants of each State? It is obvious that, with the exception of agriculture, the figures showing the profits of or the disbursements to entrepreneurs from the various industries in each State, even if such data were available, would not be of assistance to us in solving the problem. Such figures would only give an idea of the geographic production of income, which in many cases is entirely different from the geographic distribution of income. Suppose we knew the entrepreneurial income derived from manufacturing in each State. This would still leave us the problem of determining the customary residence of the people who receive the income. The stockholders of a steel plant located in Pittsburgh do not all reside in Pennsylvania, and it is not inconceivable that the bulk of the entrepreneurial income of plants operated in Ohio is received by stockholders in the State of New York. It, therefore, follows that, at least in the case of part of the entrepreneurial income, our index of distribution must be based on data bear-

ing geographically upon the individual income receivers rather than the industrial derivation of the income. Therefore, for purposes of distribution by States, the entrepreneurial income has been divided into two parts:

1. Income of individuals from holdings of corporation securities (exclusive of interest).
2. Income from the operation of business by individuals.

Dividends.

It is safe to assume that people with low incomes do not invest very heavily in the securities of corporations. It is, presumably, the exception rather than the rule to find one whose income is below \$2,000 deriving any considerable portion of it from dividends.¹ If these premises are true, the recipients of practically all the dividends paid out to individuals are to be looked for in the higher income classes. That this is substantially true is shown by the Federal income tax returns, as tabulated in the *Statistics of Income* of the United States Bureau of Internal Revenue. Although the number of income returns between \$1,000 and \$2,000 in 1920 constituted about 37 per cent of the total, the amount of dividends reported on these returns was not quite 2 per cent of the total reported on all returns. The total dividends reported on personal returns for 1921 represented over 83 per cent of the estimated total dividends paid in that year to individuals by all corporations. Since the discrepancy between the two totals may be partly due to under-reporting on the returns received, the amount of dividends in the incomes which are not required to be reported must, in general, be rather small. It is therefore thought that the income tax data furnish a good index for the distribution by States of the income received by stockholders in the form of dividends.² Con-

¹ In the lower income classes is of course included an indeterminate number of women and minor children whose income is either wholly or partly derived from dividends. The amount of dividends disbursed to this class of stockholders is, however, relatively small.

² It would seem that the possible errors in the geographic distribution of the 17 per cent of the dividends received by individuals and unaccounted for on the income tax returns, can be of only minor significance. It stands to reason that investment in corporation securities is determined to some extent by local custom, which presumably influences investors in the lower income classes as well as in the higher. Local custom in the matter of investments, as reflected in the higher incomes, probably forms a particularly strong factor in the selection of investments for the benefit of widows and minor children. Hence, the index furnished by the income tax returns representing the bulk of the dividends received in each State, cannot lead us very far astray in our final estimates.

sequently, our estimates by States for this item represent the income tax figures adjusted to correspond with the totals computed as dividends actually paid to all individuals in the United States, based on the estimates made by W. I. King. The final totals are recorded in Table XXXVI.

Business Operated by Individuals.

The income derived from the operation of business by individuals is composed of two parts which, for the United States as a whole and under normal conditions, are roughly equal in size:

1. The agricultural income of farmers.
2. The income of individual entrepreneurs in all other industries.

The income of farmers has been discussed and disposed of in the preceding chapters, and we shall, therefore, attempt at this point to estimate the income of urban entrepreneurs.

In the *Statistics of Income* of the United States Bureau of Internal Revenue, we find figures for the income by States under the following two heads:

1. "Business."
2. "Partnerships and Personal Service Corporations."

It would seem that these correspond broadly with our classification of income derived from the operation of business by individuals. Unfortunately, the income tax figures cover only part of the income falling in this group. It seems safe to assume that the majority of so-called entrepreneurs receive incomes below \$2,000, and since, among entrepreneurs as a class, there is probably a very large proportion of heads of families, a considerable portion of the incomes is exempt from taxation and, consequently, is not reported.

If it were true that the unreported income in the group under discussion bears the same proportion in all States to the part of the income reported, the figures furnished by the United States Bureau of Internal Revenue could still be used as an index of the distribution by States of the total gain from business conducted by individual entrepreneurs. However, it is quite obvious that this can hardly be the case. A very small difference in net income is sufficient to shift a return from the exempt to the non-exempt class and vice versa. A State like New York where incomes are a great deal

TABLE XXXVI.—INCOME OF INDIVIDUALS IN EACH STATE FROM
INTEREST AND DIVIDENDS, 1919-1920-1921
DOLLARS (000's Omitted)

STATE AND GEOGRAPHIC DIVISION	INTEREST			DIVIDENDS		
	1919	1920	1921	1919	1920	1921
Continental United States	2,816,862	2,951,726	3,027,093	3,579,765	3,617,900	2,965,968
New England	288,528	313,291	293,420	482,101	511,595	427,845
Maine	19,880	22,655	21,897	20,796	22,765	19,034
New Hampshire	10,016	10,221	8,687	16,693	20,539	13,661
Vermont	8,550	8,867	7,613	10,573	11,421	8,266
Massachusetts	178,184	178,712	170,555	295,598	295,692	252,632
Rhode Island	22,880	27,380	27,813	45,062	52,682	49,921
Connecticut	49,018	65,456	56,855	93,379	108,496	84,331
Middle Atlantic	1,080,958	1,132,607	1,170,773	1,405,456	1,361,690	1,216,312
New York	670,129	697,110	685,233	900,118	840,126	760,438
New Jersey	121,953	144,488	166,635	145,810	134,672	127,849
Pennsylvania	288,876	291,009	318,905	359,528	386,892	328,025
East North Central	452,613	471,496	517,433	745,208	759,731	587,185
Ohio	85,610	91,968	72,773	240,073	262,482	170,055
Indiana	34,680	31,921	31,075	50,733	46,899	35,988
Illinois	210,701	197,625	255,474	270,340	259,382	234,166
Michigan	73,471	100,726	85,135	128,933	132,861	102,367
Wisconsin	48,151	49,256	72,076	55,129	58,107	44,609
West North Central	265,424	286,616	277,175	239,829	248,027	174,256
Minnesota	66,721	75,648	69,278	65,031	66,912	48,005
Iowa	52,070	69,222	68,471	35,914	37,628	24,689
Missouri	64,143	60,721	60,293	91,197	95,283	69,300
North Dakota	8,294	8,948	8,239	6,257	4,721	2,207
South Dakota	21,401	11,758	8,839	5,532	4,766	2,908
Nebraska	28,982	36,177	35,239	19,423	18,545	13,976
Kansas	23,213	24,142	26,816	16,475	20,118	13,171
South Atlantic	222,452	229,206	194,776	258,131	262,425	206,932
Delaware	9,149	7,886	8,060	27,658	14,508	17,308
Maryland	68,759	86,610	56,034	60,476	63,100	50,027
Dist. of Columbia	34,323	35,652	32,118	24,900	26,003	24,010
Virginia	23,758	20,273	22,003	32,141	31,227	26,422
West Virginia	11,956	16,778	14,884	29,098	38,978	29,573
North Carolina	15,473	11,807	11,808	28,105	31,216	21,869
South Carolina	19,190	13,278	10,718	14,119	13,189	7,862
Georgia	25,882	18,886	16,655	26,729	27,351	15,269
Florida	13,962	18,036	21,596	15,005	16,853	14,592
East South Central	71,182	60,078	59,925	74,040	73,791	57,369
Kentucky	25,809	18,991	19,504	30,522	30,632	25,152
Tennessee	18,549	18,121	17,327	23,885	21,724	18,805
Alabama	14,580	14,067	12,534	12,185	13,969	8,139
Mississippi	12,244	8,899	10,560	7,448	7,466	5,163
West South Central	137,205	142,827	149,709	110,086	120,350	77,786
Arkansas	13,231	9,728	10,831	11,170	10,247	6,324
Louisiana	26,627	23,881	26,825	28,284	28,893	20,445
Oklahoma	23,389	24,324	20,968	19,010	21,502	10,795
Texas	73,958	84,894	91,085	51,622	59,708	40,222
Mountain	68,423	69,793	66,835	57,804	55,369	37,896
Montana	13,050	10,163	10,643	8,900	6,846	4,319
Idaho	6,440	7,744	7,429	3,484	4,122	1,914
Wyoming	3,852	4,442	6,681	3,797	3,163	2,100
Colorado	27,713	29,844	26,264	27,295	25,977	18,751
New Mexico	4,010	3,291	3,732	2,895	2,364	1,911
Arizona	6,557	7,250	3,813	5,181	4,475	2,168
Utah	5,269	5,284	6,188	10,009	7,380	5,188
Nevada	1,532	1,775	2,085	1,423	1,042	1,485
Pacific	230,077	245,812	297,047	201,930	224,976	180,387
Washington	28,670	29,316	52,855	19,181	30,108	24,591
Oregon	37,381	18,764	24,286	18,256	16,265	11,061
California	164,026	197,732	219,906	154,493	178,603	144,735

higher than, say, in Mississippi, will not only have a greater proportion of reportable income on account of the inclusion of a number of very high individual incomes, but the chances are that it will also have a relatively greater number of reportable incomes. To take another example, everything else being the same, a State where incomes range from \$500 to \$2,500 is likely to have fewer incomes above \$2,000 than the State where incomes range between \$1,200 and \$5,000. It therefore follows that, to make allowance for the unreported incomes, it is necessary to add to the figures reported amounts of entirely different proportions in the various States.

Unreported Incomes of Entrepreneurs.

To estimate the unreported portion of entrepreneurial income in each State is not an easy matter. With the data at hand, it is possible to arrive only at very rough approximations.

On the basis of the Census reports, careful, though necessarily approximate, estimates have been made of the total number of non-farmer entrepreneurs in each State at the middle of each of the three years covered by our study. The number of returns received from entrepreneurs has then been estimated from the income tax data of the United States Bureau of Internal Revenue. By subtracting the latter series of figures from the former, approximations were obtained for each State of the number of entrepreneurs *not* submitting returns. The next step was to estimate the total income received by those not submitting returns, by multiplying the number of such entrepreneurs by estimates of their average earnings in each year.

While the *Statistics of Income* present a very complete classification of income by sources, they give no indication of the occupation of the individuals submitting the returns. Assuming that all returns come either from employees or entrepreneurs, which is roughly true, an attempt was made to split the total number of returns into the two groups. To approximate the number of returns received in each State from employees, the total income reported as being derived from wages and salaries was divided by the average income per return in the income classes below \$10,000. The estimated number of returns received from wage and salary earners was then subtracted from the total number of returns, the dif-

ference presumably being the number of returns received from entrepreneurs.

The average earnings of entrepreneurs not submitting returns were estimated to be slightly above the average earnings of all employees in each State, previously computed.

By adding to the totals reported in the *Statistics of Income* as income derived from "Business" and "Partnerships, etc.," the estimated income of non-farmer entrepreneurs not submitting returns, totals were obtained for each State which showed approximately the relative distribution of the income received by non-farmers from the operation of individual business.

That the results obtained by such a complicated and necessarily crude method are probably not far wrong is shown by the following comparison between the totals for the entire United States, arrived at by adding the individual State estimates for each year, and the national totals based on estimates made by W. I. King for individual industries:

TABLE K.—TOTAL NATIONAL INCOME FROM THE OPERATION BY INDIVIDUALS OF BUSINESS EXCLUSIVE OF AGRICULTURE

	1919	1920	1921
Totals based on W. I. King's Estimates for Individual Industries	\$8,116,405,000	\$8,326,405,000	\$7,720,362,000
Totals obtained by adding State Estimates	8,455,651,000	8,858,489,000	7,696,279,000

Considering the fact that, in the estimates by industries, the separation between current income and surpluses or gains on inventories could not in each case be made with great precision, we may regard the two sets of estimates shown above as remarkably close to each other.

The final estimates of the current income derived in each State from the operation of business by individuals are shown in Table XXXVII. It is of value to note the relative changes in the income of individual entrepreneurs, exclusive of farmers, in the several States during the three years. While the national totals show distinctly the cyclical movement typical of general conditions

TABLE XXXVII.—TOTAL INCOME IN EACH STATE FROM THE OPERATION^a OF BUSINESS BY INDIVIDUALS, 1919-1920-1921

DOLLARS (000's Omitted)

STATE AND GEOGRAPHIC DIVISION	TOTAL INCLUDING AGRICULTURE			TOTAL EXCLUSIVE OF AGRICULTURE		
	1919	1920	1921	1919	1920	1921
Continental United States	17,705,661	15,650,290	11,685,098	8,116,405	8,326,405	7,720,362
New England	772,039	840,601	787,209	591,431	633,952	600,437
Maine.....	107,128	106,940	98,279	43,490	48,915	46,710
New Hampshire.....	42,013	45,627	46,845	26,034	24,998	25,644
Vermont.....	51,877	65,760	56,476	20,262	22,313	20,117
Massachusetts.....	401,830	441,679	409,577	363,684	394,011	368,495
Rhode Island.....	50,838	54,221	49,788	45,715	47,985	45,359
Connecticut.....	118,353	126,365	126,244	92,246	95,730	94,112
Middle Atlantic	3,285,350	3,475,679	3,024,501	2,603,821	2,753,339	2,538,810
New York.....	1,960,769	2,000,362	1,821,702	1,621,470	1,618,732	1,555,096
New Jersey.....	353,392	385,741	333,103	295,186	331,758	299,252
Pennsylvania.....	971,189	1,089,576	869,696	687,165	802,849	684,462
East North Central	3,453,089	3,150,107	2,227,576	1,696,793	1,741,991	1,537,566
Ohio.....	771,442	758,944	535,709	408,685	465,321	394,982
Indiana.....	467,107	389,780	247,774	179,185	199,245	178,004
Illinois.....	1,203,591	940,776	654,688	712,714	653,159	588,489
Michigan.....	507,411	533,026	390,147	248,488	267,993	229,024
Wisconsin.....	503,538	527,581	399,258	147,721	156,273	147,067
West North Central	2,824,310	1,842,119	1,072,495	877,950	874,503	770,757
Minnesota.....	444,024	308,871	199,412	147,441	153,581	136,871
Iowa.....	551,412	298,065	167,165	177,202	172,900	130,623
Missouri.....	579,833	468,050	325,121	244,675	254,064	237,579
North Dakota.....	186,432	126,442	62,021	30,437	35,940	30,681
South Dakota.....	250,302	120,898	55,573	48,251	40,653	36,538
Nebraska.....	324,250	193,535	95,607	99,254	89,070	87,723
Kansas.....	407,427	326,258	167,596	130,690	128,295	110,842
South Atlantic	2,158,527	1,739,652	1,222,066	645,435	636,903	602,053
Delaware.....	30,472	25,730	19,424	16,393	14,672	14,471
Maryland.....	191,560	186,146	149,362	126,698	130,282	126,542
Dist. of Columbia.....	38,603	39,253	53,416	38,180	38,997	53,248
Virginia.....	294,854	277,882	186,191	98,374	97,982	88,558
West Virginia.....	149,825	162,935	125,828	61,701	77,653	65,910
North Carolina.....	473,771	374,821	279,163	85,011	78,093	71,104
South Carolina.....	355,807	224,579	119,164	59,337	44,664	35,768
Georgia.....	505,948	338,569	203,376	105,218	96,763	91,329
Florida.....	117,687	109,737	86,142	54,723	57,797	55,103
East South Central	1,351,965	1,025,321	779,475	335,777	305,486	296,281
Kentucky.....	353,510	296,519	212,929	104,165	105,088	100,270
Tennessee.....	325,916	289,084	224,451	102,014	101,732	93,085
Alabama.....	318,742	223,663	187,577	66,820	54,814	58,444
Mississippi.....	353,797	216,055	154,518	62,778	43,852	44,482
West South Central	2,014,449	1,746,640	1,070,221	589,592	590,782	521,748
Arkansas.....	326,971	256,308	176,052	70,853	62,385	54,995
Louisiana.....	258,074	193,321	145,659	96,424	97,104	86,765
Oklahoma.....	425,971	373,190	206,373	117,430	125,426	112,799
Texas.....	1,003,433	923,821	542,137	295,885	305,867	267,189
Mountain	716,098	622,155	465,183	224,541	214,982	229,633
Montana.....	103,754	94,595	83,670	33,767	35,311	35,208
Idaho.....	124,731	104,206	71,649	29,725	24,253	24,395
Wyoming.....	67,929	50,300	37,566	14,890	14,615	17,143
Colorado.....	208,153	183,516	139,456	79,673	72,104	86,475
New Mexico.....	61,297	53,611	38,244	14,334	14,021	14,244
Arizona.....	56,506	52,945	36,791	21,336	20,170	19,555
Utah.....	76,546	69,422	46,828	24,237	27,095	25,078
Nevada.....	17,182	13,560	10,979	6,579	7,413	7,535
Pacific	1,129,834	1,208,016	1,036,372	560,065	574,467	623,077
Washington.....	249,836	246,058	252,243	117,970	106,444	142,466
Oregon.....	174,678	172,707	133,318	66,574	67,633	62,845
California.....	705,320	789,251	650,811	375,521	400,390	417,766

^a Does not include Profits due to Changes in Value of Inventories.

in the country during the period, — i.e., a peak in 1920 and a depression in 1921, — the movements in the different sections of the country are not at all similar. We find that at least in three divisions — the New England, Mountain, and Pacific — the total earnings of entrepreneurs in 1921 were not lower than in 1919. As a matter of fact, the Pacific division showed a distinct gain in income from this source in 1921 over 1919. It is, however, most interesting to observe the changes in individual States. Contrary to expectations, the 1920 income of individual entrepreneurs in New York was no higher than in 1919. The situation in Illinois was even more peculiar. Individual entrepreneurs in that State experienced a considerable reduction — 8 per cent — in their 1920 income, as compared with that of 1919. On the other hand, most of the other large States show 1920 to have been a more prosperous year for individual entrepreneurs than 1919. In Pennsylvania, for instance, the 1920 total was about 17 per cent above that of 1919; in Ohio, 14 per cent; and in Massachusetts, 8 per cent.

At least one of the reasons for the differences in the relative earnings of entrepreneurs, which applies particularly to New York and Illinois, is the comparative importance of wholesale trade in these States. It will be recalled that in the depression of 1920–1921, wholesale trade fell off considerably sooner than other business and industrial activities. As a matter of fact, the physical volume of wholesale trade seems to have reached its peak about January 1920; then there began a sharp decline, so that by January 1921 it had fallen over 20 per cent. It appears that, unlike other business, the volume of wholesale trade was higher in 1919 than in 1920. Consequently, in New York and Illinois, the gains made in 1920 by retailers were counterbalanced by the reduction in earnings of wholesalers. The situation in Illinois was undoubtedly complicated by the agricultural depression which began in 1920.

In passing, let us also call attention to the remarkable increase in entrepreneurial earnings in California and Washington. In these two States, the depression of 1921 does not seem to have interfered with the development of trade, as indicated by entrepreneurial earnings. It should, in addition, be noted in this connection that, in the case of California, 1921 showed an increase in practically all our subdivisions of income.

Income Received by Individuals in the Form of Interest.

The income received by individuals in the form of interest on investments has at least one peculiarity which makes it different from any of the other items composing the total income of the people of the United States. While the income from all other sources has a tendency to decrease in times of depression, the total amount of interest on investments does not diminish at such periods. A good share of interest received by individuals is on long-term bonds or notes, which have a definite period of time to run. The amount of such securities outstanding at any time cannot be readily reduced, even though the investors may themselves be pressed for money.

In times of depression, a great number of persons are compelled to dispose of their securities. This naturally causes a radical redistribution in the holdings and, consequently, in the amounts of income derived by different groups from interest. As depressions do not affect the entire country at the same time, it would follow that the geographic redistribution of interest is considerable.

The only data available relative to the geographic distribution of income from interest are those appearing in connection with the Federal income tax returns. Unfortunately, these figures do not include interest on tax-exempt securities, which constitutes a very important part of the total interest received by individuals. In computing the final estimates of this item, it has been assumed that, as in the case of dividends, the unreported part had the same geographic distribution as the portion accounted for on the income tax returns. It is to be regretted that such an assumption unavoidably introduces the possibility of error. The final estimates are shown in Table XXXVI.

As might be expected, the income from investments in the older and wealthier sections of the country is greater than in the newer and the poorer sections. Investments are primarily based on past income, and represent savings. Therefore, only where the income is high enough to make it possible to save, can the returns on investment be high. About two-thirds of the total amount of interest on investments is derived by those residing in the States included in the three eastern divisions heading the list in the table.

Rent.

The income on property obtained in the form of rents has been divided for purposes of this study into two parts:

1. Residential rent.
2. Rents on mercantile and industrial buildings and land, etc., rented from individuals.

On the basis of the data of the 1920 Census, it has been computed that from 45.5 per cent to 77.5 per cent of the urban homes in the different States are rented.¹ The average percentage for the Continental United States of all homes that are rented is about 63. It is obvious that under such conditions the rent bill for urban homes must be considerable, and that, even after deducting the usual expenses involved in the maintenance and ownership of real property, the net income from residential rent presents an item which cannot be neglected in the construction of our State estimates.

Rough estimates of income from residential rent for the United States have been made by W. I. King, who places this income at about \$1,587,000,000 in 1919, and \$1,922,000,000 and \$2,347,000,000 in 1920 and 1921, respectively. However, no data can be found giving any indication of the size of this item in the individual States. From the Census figures, it is an easy matter to estimate the number of rented homes, but no statistics have ever been compiled showing the average rent per home in the different States.

Even as far back as 1848, John Stuart Mill stated that "no part of a person's expenditure is a better criterion of his means, or bears on the whole, more nearly the same proportion to them" than house rent.² Mill's observation has since been verified by others. In a recent study of the apportionment of family budgets of different sizes, W. I. King finds that, unlike other items of the budget, there is a strong tendency for the percentage spent on housing to be a constant. It is of course not true that the percentage of the total income spent for rent is the same for each individual or family. Nevertheless, it seems safe to assume on the strength of the above findings that, on the whole, when dealing with aggregates, the amount of income is a good indicator of the

¹ See Table LII, p. 298.

² *Principles of Political Economy*, Ashley edition, p. 834.

amount expended for rent. Going on this assumption, a relative index of urban residential rent has been computed for each State on the basis of preliminary estimates of the total income received during the three years by the urban population, and the percentages of the total urban homes which are rented.¹ The preliminary estimates of income entering into this index cover all current urban income, less the portion representing residential rent. It is obvious that on the assumption that expenses for rent bear a constant ratio to income, our preliminary estimates of income are as good indicators of residential rent as the final totals would be, if such were available at this stage. The introduction into the index of the percentages of rented homes is necessary in order to allow for the difference in the proportion of rented urban homes in the different States.

The indices described above were employed in distributing by States the national totals of income from residential rent, which are shown in a previous paragraph.

The income received by individuals from non-residential rent, which also includes agricultural rent received by non-farmers, was distributed on the basis of the data appearing in the *Statistics of Income* of the United States Bureau of Internal Revenue under the heading "Rents and Royalties."

Gains or Losses on Inventories.

One hears a great deal about the fluctuations in the earnings of wage earners. However, few people realize that the earnings of entrepreneurs and property holders fluctuate even more violently. For the period covered by this study, the deviations from the three-year average of the totals of income from wages and salaries received by all employees each year were 6 per cent, 12 per cent, and 6 per cent, respectively. For the same years, the deviations from the average total entrepreneurial and property income were 16 per cent, 22 per cent, and 37 per cent, respectively. Of course, this does not mean that, in general, the changes in the total income are not felt more by wage and salary earners than by entrepreneurs. Quite the contrary is true. The entrepreneurial and property incomes are usually comprised of two parts: the amount received

¹ See Table LII, p. 298.

currently, and the amount accrued, but not received, in the form of a book gain or loss on the value of the property or other inventories. Needless to say, in most cases the second part of entrepreneurial income does not affect the living conditions of individual entrepreneurs. On the other hand, the whole of wages and salaries is received as *current* income, and a change therein is usually of great immediate moment.

As pointed out in connection with our discussion of agricultural income, there are certain comparisons which can be better made on the basis of current income only — leaving out of consideration gains and losses on inventory. However, for other purposes it is highly desirable to have available complete data of income, and hence it is necessary to calculate the income due to surpluses and changes in the value of inventories.

In this, as in previously mentioned instances, reliable data are more abundant for the nation as a whole than for the individual States. Consequently, the national estimates prepared by W. I. King, which are based on a thorough study of the value of securities at the beginning and at the end of each year, have been used as the basis for the State estimates, the national totals being distributed in accordance with a set of indices built up from existing data.

Since, with the exception of agriculture, there is no record of the distribution of ownership of the total property devoted to each industry, it is impracticable to compute inventory changes by States separately for individual industries. Even for the industries covered by the Census and in the reports of other governmental agencies, only the physical location of the properties is given geographically. But, to know that the mining properties in Pennsylvania, for example, represent about 18 per cent of the total value of mines, quarries, and oil wells of the country, tells us very little of the share of the mining industries owned by residents of the State of Pennsylvania. Even assuming that changes in the value of inventories are proportional to the total value of the property, the location of the properties cannot help us in determining the amount of the income derived by individuals in each State from such inventory changes.

To arrive at a fair distribution by States of the total income

from surpluses or gains and losses on inventories, the entire field was divided into the following four groups:

1. Gains or losses on farm inventories.¹
2. Surpluses or gains on inventories of all corporations, exclusive of agriculture.
3. Gains on inventories in non-corporate business, exclusive of agriculture.
4. Gain in the value of realty used for residential, business, and industrial purposes, not elsewhere included.

To distribute by States the surpluses and inventory gains of corporations, relative indices were built up for each of the three years showing the distribution of ownership of corporation securities, as indicated by the income tax data on dividends and interest. Obviously, the security holders owned the corporations, and changes in the value of the corporations formed either a gain or loss to the security holders.

The gains on inventories of non-corporate enterprises were estimated on the basis of an index representing the distribution of the total current income received by the inhabitants of each State, the assumption being that the capital invested in individual businesses which cater chiefly to the local population, would, on the whole, be proportional to the income of the people available for the purchase of consumption goods. It is, of course, true that in large industrial centers, like New York for instance, there are a great number of very large incomes, so that there is a surplus over the amount usually spent for consumption goods. But, then, the per capita investment in individual business is also likely to be higher in such places, and, consequently, our assumption would, in the main, hold true.

What is true of the investments in business operated by individuals serving the immediate population in each section of the country is also largely true of the value of realty used for residential and other purposes. The income of the people is undoubtedly the chief determining factor. It is quite obvious that, in a place where poor people congregate, the value of the realty cannot be very great per person. On the other hand, in rich districts,

¹ See Chapter IX, pp. 183-189.

not only will the residential property be of high value, but also the business buildings will be more substantial and attractive and, hence, more valuable.

In computing the index for the distribution of the gain in the value of realty used for residential purposes and realty rented from individuals for business and industrial purposes, the following three factors were combined for each State by careful weighting:

1. Total current income of urban population.
2. Total current income of farm population.
3. Total income from rents as reported on the income tax returns.

The final estimates of the total surplus and inventory gains on all property are recorded in the summary tables, numbers XXXIX, XL, and XLI.

Total Entrepreneurial and Property Income.

Table XXXVIII presents the final estimates for the three years of the income of all entrepreneurs and property holders in each State. It may be useful to sum up briefly the items entering into these totals, which are as follows:

1. Income of farmers.
2. Income of other entrepreneurs from non-corporate enterprises.
3. Interest received by individuals.
4. Dividends received by individuals.
5. Rents received by individuals.
6. Surpluses and gains on inventory values.

Although most of the entrepreneurial and property income from agriculture goes to farmers, and is included in item number 1 above, part of it, as will be recalled, has been shown to go to non-farmers, and has been distributed by States with items 2 to 5 — income of non-farmer entrepreneurs, interest, dividends, and rent. A fact worthy of note in this connection is the extent of corporate enterprise in agriculture. According to the statistics of the United States Bureau of Internal Revenue,¹ over 6,000 agricultural corporations filed returns for 1922. The fair value

¹ *Statistics of Income*, United States Internal Revenue, 1920, p. 32.

**TABLE XXXVIII.—TOTAL INCOME OF ALL ENTREPRENEURS AND
OTHER PROPERTY HOLDERS IN EACH STATE, 1919-1920-1921
DOLLARS (000's Omitted)**

STATE AND GEOGRAPHIC DIVISION	TOTALS INCLUDING SURPLUSES AND INVENTORY GAINS			CURRENT INCOME (Totals, Exclusive of Inventory Gains)		
	1919	1920	1921	1919	1920	1921
Continental United States	26,924,107	25,063,297	44,413,083	27,983,037	26,841,334	22,722,055
New England	1,671,318	1,236,589	4,462,254	1,821,207	2,027,671	1,923,779
Maine.....	157,723	142,326	335,756	164,253	173,766	162,932
New Hampshire.....	72,969	62,916	202,038	82,190	92,270	85,725
Vermont.....	65,188	104,945	151,215	78,220	94,399	80,930
Massachusetts.....	958,408	654,545	2,528,054	1,034,226	1,117,666	1,066,953
Rhode Island.....	133,165	70,445	408,367	143,489	166,463	165,737
Connecticut.....	283,865	201,412	836,824	318,829	383,107	361,502
Middle Atlantic	6,275,852	5,413,745	14,966,538	6,749,027	7,246,281	6,953,193
New York.....	3,771,643	2,934,982	8,868,830	4,103,072	4,292,087	4,209,493
New Jersey.....	736,540	714,362	1,815,064	758,990	830,753	823,033
Pennsylvania.....	1,767,669	1,764,401	4,282,644	1,886,965	2,123,441	1,920,667
East North Central	5,248,551	5,030,263	8,728,622	5,541,399	5,369,779	4,372,785
Ohio.....	1,320,829	929,732	2,260,955	1,297,764	1,374,289	1,020,034
Indiana.....	744,517	499,621	672,558	645,893	581,644	423,337
Illinois.....	1,933,205	1,673,154	3,282,409	2,126,989	1,798,879	1,619,700
Michigan.....	700,385	1,008,595	1,491,974	816,468	923,652	728,925
Wisconsin.....	549,615	919,161	1,020,726	654,285	691,315	580,789
West North Central	4,179,138	3,993,750	2,979,070	3,783,538	2,869,054	1,972,850
Minnesota.....	730,863	854,292	780,788	641,622	519,619	394,374
Iowa.....	1,106,574	570,245	296,175	826,414	511,531	340,610
Missouri.....	799,938	788,428	921,603	838,323	752,080	592,640
North Dakota.....	107,756	309,268	134,757	210,837	151,155	87,374
South Dakota.....	427,499	315,701	51,506	298,618	154,183	79,814
Nebraska.....	623,684	356,586	338,984	433,124	310,528	194,212
Kansas.....	382,824	799,230	455,257	534,600	460,958	288,826
South Atlantic	2,851,342	2,292,774	3,632,656	2,988,933	2,608,104	2,037,374
Delaware.....	57,974	29,467	122,887	75,361	56,741	53,607
Maryland.....	340,753	292,989	714,970	375,312	406,100	320,132
Dist. of Columbia.....	134,176	103,360	367,713	132,402	144,773	160,906
Virginia.....	343,265	444,765	533,043	402,483	386,490	298,246
West Virginia.....	193,678	272,916	443,519	224,172	264,747	220,063
North Carolina.....	554,106	416,108	559,329	556,482	454,293	354,977
South Carolina.....	479,755	196,879	149,873	426,178	276,973	162,357
Georgia.....	605,494	291,527	420,762	626,149	442,247	303,164
Florida.....	142,141	244,763	320,560	170,394	175,740	163,922
East South Central	1,451,610	979,007	1,780,013	1,635,654	1,305,720	1,069,495
Kentucky.....	336,141	223,432	545,533	452,424	396,103	311,193
Tennessee.....	329,113	372,146	499,617	405,556	364,510	314,594
Alabama.....	361,367	263,570	415,024	377,925	293,905	246,498
Mississippi.....	424,991	119,859	319,839	399,749	251,202	197,210
West South Central	2,976,517	2,543,306	2,723,587	2,650,172	2,482,929	1,699,796
Arkansas.....	328,847	286,263	305,577	386,181	305,102	228,201
Louisiana.....	397,349	230,901	455,239	359,555	303,115	253,973
Oklahoma.....	683,463	635,149	470,628	577,237	546,800	311,995
Texas.....	1,566,858	1,380,993	1,492,143	1,327,199	1,327,912	905,627
Mountain	591,959	1,065,656	1,167,104	950,266	859,539	689,231
Montana.....	-28,484	107,242	140,477	142,573	128,621	117,318
Idaho.....	196,164	171,596	139,672	145,960	126,578	91,877
Wyoming.....	21,041	46,724	92,810	84,313	66,740	57,508
Colorado.....	215,591	385,453	422,651	296,596	281,313	228,088
New Mexico.....	34,112	90,706	87,507	75,258	65,955	51,870
Arizona.....	87,215	125,291	116,627	81,507	78,725	54,114
Utah.....	69,482	115,686	139,998	101,092	91,891	69,518
Nevada.....	-3,162	22,958	27,362	22,967	19,716	18,938
Pacific	1,677,820	2,508,207	3,973,239	1,862,841	2,072,257	2,003,552
Washington.....	406,376	404,803	761,269	360,548	363,647	429,748
Oregon.....	271,146	343,986	363,627	263,556	237,498	207,829
California.....	1,000,298	1,759,418	2,848,343	1,238,737	1,471,112	1,365,975

TABLE XXXIX.—TOTAL INCOME DERIVED BY INDIVIDUALS IN EACH STATE FROM SPECIFIED SOURCES, 1919

DOLLARS (000's Omitted)

STATE AND GEOGRAPHIC DIVISION	ALL SOURCES	CURRENT INCOME			SURPLUSES AND GAINS ON INVENTORIES ^c
		WAGES AND SALARIES	ENTREPRENEURIAL AND PROPERTY INCOME ^a	MISCELLANEOUS INCOMES ^b	
Continental United States.....	66,195,700	34,769,362	27,983,037	4,502,231	-1,058,930
New England.....	5,355,117	3,313,256	1,821,207	370,543	-149,889
Maine.....	427,580	235,075	164,253	34,782	-6,530
New Hampshire..	260,759	164,273	82,190	23,517	-9,221
Vermont.....	175,578	94,744	78,220	15,646	-13,032
Massachusetts...	3,057,076	1,902,544	1,034,226	196,124	-75,818
Rhode Island....	454,983	288,326	143,489	33,492	-10,324
Connecticut.....	979,141	628,294	318,829	66,982	-34,964
Middle Atlantic....	17,509,177	10,154,284	6,749,027	1,079,041	-473,175
New York.....	9,241,601	5,016,170	4,103,072	453,788	-331,429
New Jersey.....	2,377,239	1,464,335	758,990	176,364	-22,450
Pennsylvania....	5,890,337	3,673,779	1,886,965	448,889	-119,296
East North Central.	14,596,747	8,281,806	5,541,399	1,066,390	-292,848
Ohio.....	3,989,379	2,384,508	1,297,764	284,042	23,065
Indiana.....	1,780,646	899,235	645,893	136,894	98,624
Illinois.....	4,989,044	2,734,692	2,126,989	321,147	-193,784
Michigan.....	2,407,180	1,507,358	816,468	199,437	-116,083
Wisconsin.....	1,430,498	756,013	654,285	124,870	-104,670
West North Central.	7,971,594	3,236,437	3,783,538	556,019	395,600
Minnesota.....	1,510,046	661,740	641,622	117,443	89,241
Iowa.....	1,818,461	592,756	826,414	119,131	280,160
Missouri.....	1,900,781	968,579	838,323	132,264	-38,385
North Dakota...	240,332	111,709	210,837	20,867	-103,081
South Dakota....	576,122	122,948	298,618	25,675	128,881
Nebraska.....	994,081	311,792	433,124	58,605	190,560
Kansas.....	931,771	466,913	534,600	82,034	-151,776
South Atlantic.....	6,310,287	3,026,348	2,988,933	432,597	-137,591
Delaware.....	154,257	85,509	75,361	10,774	-17,387
Maryland.....	955,090	542,310	375,312	72,027	-34,559
Dist. of Columbia.	437,608	284,939	132,402	18,493	1,774
Virginia.....	913,918	503,820	402,483	66,833	-59,218
West Virginia....	640,929	397,203	224,172	50,048	-30,494
North Carolina...	981,805	350,504	556,482	77,195	-2,376
South Carolina...	733,866	212,057	426,178	42,074	53,577
Georgia.....	1,113,237	441,323	626,149	66,420	-20,655
Florida.....	379,577	208,703	170,394	28,733	-28,253

TABLE XXXIX.—TOTAL INCOME DERIVED BY INDIVIDUALS IN EACH STATE FROM SPECIFIED SOURCES, 1919—*Continued*

DOLLARS (000's Omitted)

STATE AND GEOGRAPHIC DIVISION	ALL SOURCES	CURRENT INCOME			SURPLUSES AND GAINS ON INVENTORIES ^c
		WAGES AND SALARIES	ENTREPRENEURIAL AND PROPERTY INCOME ^a	MISCELLANEOUS INCOMES ^b	
East South Central	2,998,710	1,331,490	1,635,654	215,610	-184,044
Kentucky.....	831,353	430,620	452,424	64,592	-116,283
Tennessee.....	765,691	374,494	405,556	62,086	-76,445
Alabama.....	766,338	353,470	377,925	51,501	-16,558
Mississippi.....	635,328	172,906	399,749	37,431	25,242
West South Central	5,271,687	1,979,618	2,650,172	315,552	326,345
Arkansas.....	577,951	208,258	386,181	40,846	-57,334
Louisiana.....	817,520	360,266	359,555	59,905	37,794
Oklahoma.....	1,178,630	425,838	577,237	69,329	106,226
Texas.....	2,697,586	985,256	1,327,199	145,472	239,659
Mountain	1,816,791	1,074,510	950,266	150,322	-358,307
Montana.....	177,105	181,521	142,573	24,068	-171,057
Idaho.....	321,897	107,087	145,960	18,646	50,204
Wyoming.....	107,566	77,380	84,313	9,145	-63,272
Colorado.....	576,339	315,317	296,596	45,431	-81,005
New Mexico.....	129,402	85,240	75,258	10,050	-41,146
Arizona.....	240,596	137,491	81,507	15,890	5,708
Utah.....	219,918	127,564	101,092	22,872	-31,610
Nevada.....	43,968	42,910	22,967	4,220	-26,129
Pacific	4,365,590	2,371,613	1,862,841	316,157	-185,021
Washington.....	1,044,184	573,761	360,548	64,047	45,828
Oregon.....	590,566	280,449	263,556	38,971	7,590
California.....	2,730,840	1,517,403	1,238,737	213,139	-238,439

^a Includes Interest, Dividends, Contract Rent, and Income from Business Operations by Individuals.

^b Includes Income from Urban Cows, Gardens, and Poultry; Imputed Rent of Owned Urban Homes and Farmers' Homes; and Imputed Interest on Value of Durable Consumption Goods in Hands of Consumers.

^c Includes Surpluses or Gains on Inventories in Business and Industry and Gains in Value of Residential Realty.

TABLE XL.—TOTAL INCOME DERIVED BY INDIVIDUALS IN EACH STATE FROM SPECIFIED SOURCES, 1920

DOLLARS (000's Omitted)

STATE AND GEO- GRAPHIC DIVISION	ALL SOURCES	CURRENT INCOME			SURPLUSES AND GAINS ON INVEN- TORIES °
		WAGES AND SALARIES	ENTRE- PRENEUR- IAL AND PROPERTY INCOME °	MISCEL- LANEOUS INCOMES °	
Continental United States	72,380,365	41,560,157	26,841,334	5,756,911	-1,778,037
New England	5,855,167	4,134,927	2,027,671	483,651	-791,082
Maine	472,572	285,639	173,766	44,607	-31,440
New Hampshire	291,804	198,652	92,270	30,236	-29,354
Vermont	236,472	111,621	94,399	19,906	10,546
Massachusetts	3,353,710	2,441,830	1,117,666	257,335	-463,121
Rhode Island	460,061	345,666	166,463	43,950	-96,018
Connecticut	1,040,548	751,519	383,107	87,617	-181,695
Middle Atlantic	19,072,103	12,258,491	7,246,281	1,399,867	-1,832,536
New York	9,649,309	6,124,529	4,292,087	589,798	-1,357,105
New Jersey	2,659,669	1,715,302	830,753	230,005	-116,391
Pennsylvania	6,763,125	4,418,660	2,123,441	580,064	-359,040
East North Central	16,395,804	9,996,982	5,369,779	1,368,559	-339,516
Ohio	4,093,695	2,799,140	1,374,289	364,823	-444,557
Indiana	1,813,639	1,136,634	581,644	177,384	-82,023
Illinois	5,420,874	3,340,511	1,798,879	407,209	-125,725
Michigan	3,092,700	1,824,778	923,652	259,327	84,943
Wisconsin	1,974,896	895,919	691,315	159,816	227,846
West North Central	8,471,843	3,779,339	2,869,054	698,754	1,124,696
Minnesota	1,770,205	766,911	519,619	149,002	334,673
Iowa	1,419,038	699,652	511,531	149,141	58,714
Missouri	2,117,708	1,159,932	752,080	169,348	36,348
North Dakota	461,635	126,367	151,155	26,000	158,113
South Dakota	483,850	137,726	154,183	30,423	161,518
Nebraska	783,552	354,294	310,528	72,672	46,058
Kansas	1,435,855	534,457	469,958	102,168	329,272
South Atlantic	6,336,442	3,498,719	2,608,104	544,949	-315,330
Delaware	131,746	89,210	56,741	13,069	-27,274
Maryland	1,021,707	636,223	406,100	92,495	-113,111
Dist. of Columbia	444,319	317,415	144,773	23,544	-41,413
Virginia	1,074,823	549,214	386,490	80,844	58,275
West Virginia	861,901	523,980	264,747	65,005	8,169
North Carolina	919,973	405,661	454,293	93,204	-38,185
South Carolina	499,409	249,870	276,973	52,660	-80,094
Georgia	870,656	496,240	442,247	82,889	-150,720
Florida	511,908	230,906	175,740	36,239	69,023

TABLE XL.—TOTAL INCOME DERIVED BY INDIVIDUALS IN EACH STATE FROM SPECIFIED SOURCES, 1920—*Continued*

DOLLARS (000's Omitted)

STATE AND GEO- GRAPHIC DIVISION	ALL SOURCES	CURRENT INCOME			SURPLUSES AND GAINS ON INVEN- TORIES ^c
		WAGES AND SALARIES	ENTRE- PRENEUR- IAL AND PROPERTY INCOME ^a	MISCEL- LANEOUS INCOMES ^b	
East South Central.	2,804,167	1,555,750	1,305,720	269,410	-326,713
Kentucky	843,942	538,676	396,103	81,834	-172,671
Tennessee	883,568	433,540	364,510	77,882	7,636
Alabama	724,602	396,810	293,905	64,222	-30,335
Mississippi	352,055	186,724	251,202	45,472	-131,343
West South Central.	5,233,444	2,292,405	2,482,929	397,733	60,377
Arkansas	564,597	229,018	305,102	49,316	-18,839
Louisiana	742,918	434,694	303,115	77,323	-72,214
Oklahoma	1,200,800	479,203	546,800	86,448	88,349
Texas	2,725,129	1,149,490	1,327,912	184,646	63,081
Mountain	2,501,335	1,248,172	859,539	187,507	206,117
Montana	336,561	199,542	128,621	29,777	-21,379
Idaho	311,359	116,885	126,578	22,878	45,018
Wyoming	156,891	98,571	66,740	11,596	-20,016
Colorado	817,918	374,985	281,313	57,480	104,140
New Mexico	200,925	97,995	65,955	12,224	24,751
Arizona	306,897	161,600	78,725	20,006	46,566
Utah	291,996	148,083	91,891	28,227	23,795
Nevada	78,788	50,511	19,716	5,319	3,242
Pacific	5,710,060	2,795,372	2,072,257	406,481	435,950
Washington	1,086,081	603,322	363,647	77,956	41,156
Oregon	700,560	308,761	237,498	47,813	106,488
California	3,923,419	1,883,289	1,471,112	280,712	288,306

^a Includes Interest, Dividends, Contract Rent, and Income from Business Operations by Individuals.

^b Includes Income from Urban Cows, Gardens, and Poultry; Imputed Rent of Owned Urban Homes and Farmers' Homes; and Imputed Interest on Value of Durable Consumption Goods in Hands of Consumers.

^c Includes Surpluses or Gains on Inventories in Business and Industry and Gains in Value of Residential Realty.

TABLE XLII.—TOTAL INCOME DERIVED BY INDIVIDUALS IN EACH STATE FROM SPECIFIED SOURCES, 1921

DOLLARS (000's Omitted)

STATE AND GEOGRAPHIC DIVISION	ALL SOURCES	CURRENT INCOME			SURPLUSES AND GAINS ON INVENTORIES ^c
		WAGES AND SALARIES	ENTREPRENEURIAL AND PROPERTY INCOME ^a	MISCELLANEOUS INCOMES ^b	
Continental United States	84,426,667	34,700,877	22,722,055	5,312,707	21,691,028
New England	8,129,278	3,231,649	1,923,779	435,375	2,538,475
Maine.....	616,055	238,993	162,932	41,306	172,824
New Hampshire.....	389,944	160,705	85,725	27,201	116,313
Vermont.....	261,569	92,361	80,930	17,993	70,285
Massachusetts.....	4,688,916	1,927,457	1,066,953	233,405	1,461,101
Rhode Island.....	733,091	285,126	165,737	39,598	242,630
Connecticut.....	1,439,703	527,007	361,502	75,872	475,322
Middle Atlantic	26,496,647	10,252,722	6,953,193	1,277,387	8,013,345
New York.....	14,802,057	5,387,336	4,209,493	545,891	4,659,337
New Jersey.....	3,403,385	1,383,625	823,033	204,696	992,031
Pennsylvania.....	8,291,205	3,481,761	1,920,667	526,800	2,361,977
East North Central ..	17,821,653	7,840,634	4,372,785	1,252,397	4,355,837
Ohio.....	4,653,438	2,066,060	1,020,034	326,423	1,240,921
Indiana.....	1,721,832	888,349	423,337	160,925	249,221
Illinois.....	6,579,785	2,910,080	1,619,700	387,296	1,662,709
Michigan.....	2,990,032	1,268,181	728,925	229,877	763,049
Wisconsin.....	1,876,566	707,964	580,789	147,876	439,937
West North Central ..	7,020,690	3,380,261	1,972,850	661,359	1,006,220
Minnesota.....	1,592,231	671,477	394,374	139,966	386,414
Iowa.....	1,058,327	619,691	340,610	142,461	-44,435
Missouri.....	2,134,004	1,054,598	592,640	157,803	328,963
North Dakota....	273,698	114,188	82,374	24,753	52,383
South Dakota....	201,737	120,953	79,814	29,278	-28,308
Nebraska.....	727,072	317,910	194,212	70,178	144,772
Kansas.....	1,033,621	481,444	288,826	96,920	166,431
South Atlantic	7,091,482	2,959,841	2,037,374	498,985	1,595,282
Delaware.....	202,483	67,656	53,607	11,940	69,280
Maryland.....	1,348,076	546,246	320,132	86,860	394,838
Dist. of Columbia.	702,520	310,442	160,906	24,365	206,807
Virginia.....	1,091,827	481,798	298,246	76,986	234,797
West Virginia....	886,882	384,574	220,063	58,789	223,456
North Carolina....	981,324	335,674	354,977	86,321	204,352
South Carolina....	404,883	208,984	162,357	46,026	-12,484
Georgia.....	923,159	428,338	303,164	74,059	117,598
Florida.....	550,328	196,129	163,922	33,639	156,638

TABLE XLI.—TOTAL INCOME DERIVED BY INDIVIDUALS IN EACH STATE FROM SPECIFIED SOURCES, 1921—*Continued*
DOLLARS (000's Omitted)

East South Central.	3,380,325	1,354,599	1,069,495	245,713	710,518
Kentucky	1,103,548	481,103	311,193	76,912	234,340
Tennessee	958,765	387,480	314,594	71,668	185,023
Alabama	801,028	329,630	246,498	56,374	168,526
Mississippi	516,984	156,386	197,210	40,759	122,629
West South Central.	5,169,189	2,076,081	1,699,796	369,521	1,023,791
Arkansas	551,934	201,081	228,201	45,276	77,376
Louisiana	893,168	369,453	253,973	68,476	201,266
Oklahoma	968,289	419,220	311,995	78,441	158,633
Texas	2,755,798	1,086,327	905,627	177,328	586,516
Mountain	2,419,148	1,075,875	689,231	176,169	477,873
Montana	325,544	157,548	117,318	27,519	23,159
Idaho	266,721	105,571	91,877	21,478	47,795
Wyoming	194,189	89,911	57,508	11,468	35,302
Colorado	823,172	345,045	223,088	55,476	194,563
New Mexico	188,314	88,869	51,870	11,938	35,637
Arizona	254,923	120,835	54,114	17,461	62,513
Utah	293,545	127,803	69,518	25,744	70,480
Nevada	72,740	40,293	18,938	5,085	8,424
Pacific	6,898,255	2,529,215	2,003,552	395,801	1,969,687
Washington	1,316,189	476,978	429,748	77,942	331,521
Oregon	677,473	268,073	207,829	45,773	155,798
California	4,904,593	1,784,164	1,365,975	272,086	1,482,368

^a Includes Interest, Dividends, Contract Rent, and Income from Business Operations by Individuals.

^b Includes Income from Urban Cows, Gardens, and Poultry; Imputed Rent of Owned Urban Homes and Farmers' Homes; and Imputed Interest on Value of Durable Consumption Goods in Hands of Consumers.

^c Includes Surpluses or Gains on Inventories in Business and Industry and Gains in Value of Residential Realty.

of the capital stock of these corporations was nearly \$1,000,000,000. The net income of these corporations in 1920 was \$71,000,000.¹

The summary figures showing entrepreneurial and property income (Table XXXVIII), present some very interesting facts about the industrial conditions of the country in 1919, 1920, and 1921. First of all, comparing the national totals in the two main sections of the table, we find that, while the current income of entrepreneurs, or the income disbursed, was highest in 1919, the total share of entrepreneurs, including changes in surplus and inventory values, was highest in 1921. In other words, it appears that, while the property holders had reason to complain about the current

¹ *Statistics of Income*, United States Bureau of Internal Revenue, 1920, p. 9.

income they received in 1921, their total net income was actually increasing at a very rapid rate,—so much so, that in that year it was just about twice as much as the amount actually taken out of business. While the same condition as shown for the country as a whole applies in a general way to most of the States, some show individual differences in this respect. Thus, in the agricultural States, the 1921 inventory gains were not as high as in the other States. In the West North Central States, owing to losses on agricultural inventories, the total gains amounted to only about one-third of the current income. In Iowa and South Dakota, the total net income was smaller than the current income, showing that the net changes in inventory values were negative amounts. The same is true of South Carolina.

A Comparison of the Geographical Distributions of Total Entrepreneurial and Property Income and Total Income from Wages and Salaries.

What was the relative importance of wages and salaries as compared with the entrepreneurial income in the different sections of the country? The following percentages, representing total wages and salaries and total current entrepreneurial and property income in each of the geographic divisions, are based on the 1919 figures, on the assumption that 1919 is the most representative of the three years:

TABLE L.—PERCENTAGE OF TOTAL WAGES AND SALARIES AND PERCENTAGE OF TOTAL CURRENT ENTREPRENEURIAL AND PROPERTY INCOME FROM BUSINESS AND INDUSTRY IN EACH OF THE GEOGRAPHIC DIVISIONS, 1919.

GEOGRAPHIC DIVISIONS	WAGES AND SALARIES	CURRENT ENTREPRENEURIAL AND PROPERTY INCOME
Continental United States.....	100.0	100.0
New England.....	9.5	6.5
Middle Atlantic.....	29.2	24.1
East North Central.....	23.8	20.0
West North Central.....	9.3	13.5
South Atlantic.....	8.7	10.7
East South Central.....	3.8	5.6
West South Central.....	5.7	9.5
Mountain.....	3.1	3.4
Pacific.....	6.8	6.6

It appears that the geographic distribution of income from wages and salaries is not at all the same as that of entrepreneurial and property income. As might be expected, the agricultural sections of the Middle West and the South get higher shares in the total entrepreneurial and property income than in the total wage and salary bill of the country. The reverse is true in the manufacturing sections of the United States where, although individually entrepreneurs get higher incomes than in agricultural districts, their number is relatively small, as compared with the number of wage and salaried workers. New England, for instance, accounts for 9.5 per cent of the total wages and salaries, but its inhabitants receive only 6.5 per cent of the total entrepreneurial and property income. In the relative importance of the income from the two sources, the Mountain and Pacific States typify almost perfectly average conditions for the United States as a whole. In these States, the percentages of the national total representing wages and salaries are practically the same as those representing entrepreneurial and property income.

The complete correspondence in the Mountain division between the percentage representing total population, and that representing total wages and salaries, has already been pointed out in the chapter summing up wages and salaries (see p. 113). It therefore appears that the Mountain States represent the United States' average conditions with respect to the relationship between the total population, the total income of entrepreneurs and property holders, and the total income from wages and salaries.

The comparison of the percentages given in the above table does not, of course, cast any light upon the relative economic welfare of entrepreneurs and wage earners in the different parts of the country. To measure that, other factors, such as the number of wage earners and the number of entrepreneurs, would have to be taken into consideration.

In passing, let us also note the effect of the 1920-1921 depression upon the entrepreneurial and property income of the population in the different sections of the country. A glance at the figures of Table XXXVIII shows that the depression was to a large extent agricultural. The income figures for both the New England and the Middle Atlantic States show 1920 to have been consider-

ably higher than 1919. Moreover, the current income of the entrepreneurs and property holders in these two divisions in 1921 was also higher than in 1919. In the other divisions, with the exception of the Pacific, 1919 was by far the highest year with respect to current entrepreneurial and property income. The slump in agricultural prices already began to tell in 1920, but the brunt of the depression was not felt until 1921. The non-agricultural income, of course, tends to temper considerably the differences in the figures for the three years, but even so, the divergence in the total entrepreneurial and property income between 1919 and 1921 in some of the States is enormous. For the entire West North Central division, the income dropped from \$3,783,000,000 in 1919 to \$1,973,000,000 in 1921, or 48 per cent. In South Dakota alone, it dropped from \$299,000,000 to about \$80,000,000, or 73 per cent.

MISCELLANEOUS INCOMES

In this report, as well as in the other reports of the National Bureau of Economic Research dealing with the income of the people of the United States, only money income, or income upon which it is possible to place a money value, has been considered. No attempt has been made to compute the value of the free goods which the American people enjoy, nor has it been practicable to compute the income derived from the work of housewives or other members of the household performed in the interest of the family or home, and for which no pecuniary remuneration is received. The question as to which items should, or should not, be included in the computation of the national income is, of course, not easy to settle. The answer depends largely upon what the totals are expected to show and upon the use to which they are to be put. Even if it were possible to calculate with exactitude every item contributing to the income of the people, no two investigators would probably arrive at the same final results. There would be some items which would be included by one and not by the other. There is, however, one point on which there can be no disagreement, and that is, that income, though measured in money, does not necessarily coincide with the amount of money actually received by the various individuals concerned. The services of persons or

of goods constitute income just as much as if there were a money transaction in the matter.

In primitive society, where practically all production, such as there was, was for home consumption, and the exchange of goods or services was a relatively minor factor in the economic life of the people, money had no place. Nevertheless, the people had income. Even in modern times, the use of money in some communities is rather limited, and yet such communities may obtain relatively greater income than some of the more industrialized communities where money income is received exclusively. As the economic life of the people becomes more complicated, the portion of the total income of the people which is received in the form of money or negotiable credits becomes greater. However, it seems that there will always be miscellaneous items of income received from other than the usual channels of business and industry, accruing in the form of commodities or services, for which, whenever practicable, allowance will have to be made in the estimates of total income.

In the following paragraphs, an attempt is made to cover briefly several of the miscellaneous items upon which a money value is commonly placed, which have been included in the final totals of this report in addition to the money income discussed under wages and salaries, and entrepreneurial and property receipts.

Urban Gardens and Poultry.

In small places it is quite customary for the people to cultivate vegetable gardens or to keep poultry. While the produce from such gardens and poultry is chiefly for home consumption, the supplementary income derived therefrom is not negligible. According to W. I. King's estimates, in 1919 the income from urban poultry and gardens amounted to nearly \$200,000,000. With the fall in the price of agricultural products in the subsequent years, the income from the urban production of these products in 1920 and 1921 was smaller, but still sufficient to justify an attempt to distribute it by States. There are, of course, no data indicating the value of garden and poultry products produced off the farm. It has, however, been assumed that the amount produced in each State would vary roughly with the population having the opportunity to sup-

plement their income in this manner. Hence, the national totals have been distributed in accordance with the non-farm population in each State residing in places with less than 25,000 inhabitants. The figures were derived from the 1920 Census.

Urban Income from Dairy Cows.

Another item supplementing the urban income in small places consists of profits from keeping dairy cows. According to the *Census of Agriculture*, there were about 1,250,000 dairy cows not on the farms on January 1, 1920. These were chiefly kept by inhabitants of villages and small towns. W. I. King estimates the profits from these cows to be about \$100,000,000 a year, varying with the price of dairy products.

The distribution by States of the estimated income derived from dairy products produced off the farm is made on the basis of the estimated value of dairy cows in each State which were not on the farms. The data used were derived from the *Census of Agriculture* and the reports of the Department of Agriculture.

The Imputed Rent of Owned Urban Homes.

It will be recalled that the totals presented in Table XXXVIII included as part of the property income of the people a considerable amount of contract residential rent. This rent item covered income received by owners of real property leased or rented for residential purposes. Should we not also make allowance for residential property occupied by the owners themselves? The difference between owned homes and rented homes is really only a matter of occupancy, and the person residing in his own home receives an income just as truly as if he rented the home to someone else.

Judging from the figures of the 1920 *Census of Population*, about 37 per cent of the urban population of the United States live in owned homes.¹ This percentage is, of course, the average for the entire country. In some States it is much smaller; in others it is larger. In Iowa, for instance, the percentage of owned urban homes is about 55 per cent; in New York on the other hand, it is only 23 per cent of the total.

There is another element that must be considered in connection with the ownership of homes in the different States. Only about

¹ See Table LII, p. 298.

half of the homes recorded as owned are owned fully by those living in them. Nearly half of the so-called owned homes are encumbered to a greater or lesser degree. The proportion of encumbered homes presents a wide variation among States. At the time of the last Census, the per cent of the total number of owned urban homes in Nevada that were encumbered was 22; in New Jersey it was 66, and in Connecticut 70.

What is the rental value of owned homes in each State? What additional income do the inhabitants of each State receive from the ownership of these homes? It is obvious that just as much as there is variation in the extent of ownership of urban homes, so is there a variation in the average rental value of the homes in the different States. As already found in the case of our attempt to estimate the income from residential contract rent, there seems to be no specific data that will throw light upon the average amount of rent saved by owners of homes in the different parts of the country. As in the case of contract rent, we must resort to the assumption that the cost of housing and, hence, residential rent vary with income; that in places where the average income is normally high, the average rental value of homes is also high. Consequently, in imputing the rental value of owned homes, the estimates by States have been based on indices which take into consideration the total equity of owners in owned urban homes and the total urban income of the population for each State.

Rental Value of Farmers' Homes.

In calculating the agricultural income of the country, no consideration was given to the fact that in addition to being a place of business, the farm is also a home. Farmers receive a considerable share of their income in the form of commodities grown on the farm. In addition to about 60 per cent of his food that comes directly from the farm, the farmer also gets his rent. The farm products consumed by farmers and their families were included at farm prices when we computed the total agricultural income for each State, and it would appear that we should also make allowance for the services of his house.

It is, of course, difficult to compute with great accuracy the rental value of farmers' homes in the different States. The ac-

commodations received by farmers in the way of homes vary enormously, and are so intimately tied up with the business end of the property that it is almost impossible to place a value on the part used by farmers either for personal or business purposes. W. I. King, in his national estimates, approximated a value of the rent of farmers' homes for each year. These estimates were distributed by States in accordance with the total value of farm buildings in each State, as reported by the Census.

The Imputed Interest on Durable Consumption Goods.

The logic of including imputed rent of owned homes can hardly be disputed, especially when we attempt to arrive at comparative figures for different parts of the country. Should not also the use of other personal property be put on an income basis and made part of the final totals of income received by individuals?

In his national estimates, W. I. King makes allowance for this additional item in the form of imputed interest on the value of durable consumption goods in the hands of consumers.¹ This item is not commonly valued in terms of money, and there may be some question as to the advisability of giving it a place in our estimates by States, especially in view of the fact that, owing to the lack of data, the distribution can only be very rough indeed. It would seem that the inclusion of this item, if it is accurately computed, would not change materially the relative size of the income in each State. The accumulation of durable consumption goods is the result of past and present income, and, manifestly, the more prosperous sections of the country would have greater stocks of such goods than the poorer States.

A rough distribution of this item by States was made on the basis of the value of stocks of durable goods such as clothing, furniture, motor vehicles, etc., as reported for each State by the 1922 *Census of Wealth*. As the estimates are not highly reliable, the figures have been omitted from all the final analytical tables dealing with current income. The estimates of the imputed interest on the value of durable consumption goods are, however, included in the final figures showing the total net income received in each State, which also include surpluses and changes in values of inventories.

¹ The National totals of this item, in current dollars, are \$2,739,959,000, \$3,717,293,000, and \$3,014,944,000, for 1919, 1920, and 1921, respectively.

WITHDRAWN