

(The material which follows was subsequently furnished by Mr. Bowman:)

TREATMENT OF MOBILE HOMES IN HOUSING AND CONSTRUCTION STATISTICS

Placement of mobile homes on sites are not considered as housing starts in the series compiled by Census. Sometimes local authorities may consider the amount of construction associated with placement of a mobile home, such as preparation of foundation, or building of a porch or another room, as sufficient to require a building permit. However, checks made by Census indicate the number of starts on this basis included in the housing starts series is negligible.

The construction activity series conceptually includes the value of foundation work, installation of utility lines, etc. entailed in the preparation of sites for mobile homes. However, because of inadequacy of data sources for measuring this activity, relatively little actually gets included. The value of the mobile home itself is not included as part of construction activity but is in manufacturing.

A mobile home which is occupied by persons for whom it is the regular place of abode is counted in the inventory in the Housing Census. Those which are vacant and those found occupied by persons who claim another regular place of residence are not counted.

Monthly data on manufacturers' shipments of mobile homes are compiled by the Mobile Homes Manufacturers' Association and are published by BDSA in *Construction Review* and 217,000 were reported for 1966. In addition, there were shipments of approximately 122,700 travel trailers.

Representative CURTIS. Then, one other item. At one time, I got into the monthly corporation profit statistics that are furnished this committee. We have the gross profits and we also have figures on the ratio of profits to sales, dollar values of sales, but I think the most important statistic is the return on equity investment. Granted this gets back into this study of wealth because it is difficult to know what the equity is. The management of a business always looks to the statistics on return on equity investment in determining whether to invest in expansion. What will they get on return? We have some broad figures showing that the return is 14 percent or maybe go on down to 8, around there. Would you comment just briefly on this area?

Mr. BOWMAN. I can comment on this briefly and not so much in terms of the statistics themselves but with the problem. It is true that in ordinary economic analysis we talk about the profit return on investment but the difficulty with equity is that in one industry the capital investment may be largely financed through bonds, in another industry it might be largely financed through equity securities. You compare the two industries on the basis of return on equity, you do not really get a good measure of the comparison between the two industries with regard to their return on the capital investment.

Representative CURTIS. And yet, though, as they pay off on debt, they increase the equity, so that it is an important factor to know. I again emphasize that it relates to whether they will expand, even if it is an expansion financed by debt, they still are looking to what the return is going to be on that dollar. Ultimately they hope to convert the debt to equity as they are paying it off.

Mr. BOWMAN. This is true. You happen to touch me on a spot of major interest because my doctoral dissertation was a statistical study of profits in which I did try to examine the various bases that might be used for comparing profits in different industries.

I still would feel that while equity is a useful way of comparing profits, that it will vary from time to time, depending upon the market for equity shares as contrasted with debt shares. It will not be the same