

wages and the remainder as income earned on assets. Table 13 gives the distribution of income from assets which is implied by these assumptions.

Turning to the rates of return, Figure 14 throws considerable light on prevailing rates in unincorporated business. Each dot on the frequency distribution indicates the median rate of return of a sample of firms in an industry. Most of the firms have assets in excess of \$50,000—the proper size to yield incomes which fall into the brackets with which we are concerned. Both the means and the medians of the industry medians fall very close to 6 per cent ²¹

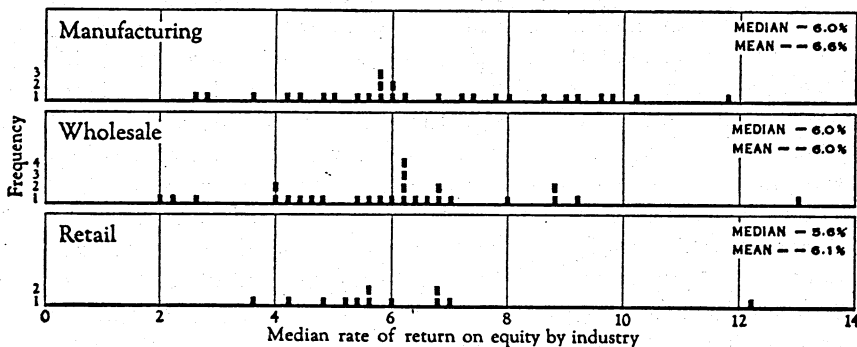


FIGURE 14. *Rates of Return in Small and Medium-Sized Firms*
 Source: *Dun's Review*, October, November, and December 1955. Data compiled by Roy A. Foulke.

for all three categories of data; we use this figure as our estimate. In the case of farming, the average rate of return on investment, after allowing for the value of operator and family labor, has been estimated at 4.9 per cent for the year 1949, although the return in 38 per cent of the regions of the United States is in excess of 6 per cent.²² The subsequent deterioration of farm prices has lowered the average return. But we are concerned with farms yielding an income in excess of \$7,500, earned only on the farms which are the

²¹ Use of the median assures that the presence of a few large firms or of a few extreme values will not bias the estimates.

²² E. G. Strand, E. O. Heady, and J. A. Seagraves, *Productivity of Resources Used on Commercial Farms*, U. S. Department of Agriculture, Technical Bulletin No. 1128, November 1955, p. 50.