

The Census of Distribution, when its national summary of retail sales classified by commodity groups is completed, will undoubtedly supply better data for the year 1929 than have previously been available. However, in the City of Washington only 9 per cent of the retailers were able to furnish records of their sales split up by commodities. Although these stores handled approximately 50 per cent of the retail business of the city, their records can scarcely be accepted as representative of the 91 per cent of smaller stores which made the remaining 50 per cent of retail sales. If my understanding is correct, somewhat similar proportions of records may be expected in other cities and states. For this reason the figures for sales of commodities through the various channels of retail distribution, eventually to come from the Census Bureau, will not be complete or conclusive. They will be invaluable, however, as checks and correctives of estimates drawn from other sources.

The primary sources for such estimates are the figures for values and quantities of production gathered by the Census of Manufactures, the Department of Agriculture, the Bureau of Mines, the Bureau of Internal Revenue, and other branches of the Federal Government, supplemented by statistics of values of exports and imports from publications of the Department of Commerce. The secondary sources are: a great number of trade publications; books on merchandising practice; bulletins of the Harvard Bureau of Business Research, reports of the Controller's Congress of the National Retail Dry Goods Association, and other studies of retailing expenses; interviews with sales executives; and data supplied by trade associations. Information from these secondary sources gives a basis for reasonable judgments as to the proportions of various kinds of goods taken by individual consumers and as to the spread between producers' values and retail-selling values for each class of goods. When these judgments—assuming that they are somewhere near correct—are applied to the production figures supplied by the primary sources, the results should be fairly dependable estimates of consumers' retail purchases.

There is nothing novel in this method. It is simply a tedious process of collecting and reviewing the facts about some hundreds of groups of commodities and making the necessary calculations. An explanation of the procedure and of some of the tests applied to the results is supplied in an appendix to this paper.

These tests indicate that the allocations and mark-ups used in our estimates for 1929 are approximately correct. It seemed safe, then, to carry back these allocations and mark-ups, except when good reason for changing them appeared, to the earlier years studied. In this manner the tables presented in this paper and in the appendix have been prepared.

Strictly speaking, the tables show not retail sales but retail values of consumers' goods produced in the four calendar years, 1909, 1914, 1923 and 1929. That is to say, the lag between the maker's sale of a consumable product and its sale to the ultimate consumer is left out of account. This becomes an important factor wherever a large discrepancy exists between distributors' stocks of a given commodity at the beginning and at the end of a year. However, for reasons stated in the appendix, it is believed that retail values of the annual production of most commodities may safely be accepted as substantially equivalent to retail sales of the same commodities during the same year.

Table 1 on the page following sums up the results of the study here described. It should be noted at once that all values are in current dollars; therefore direct comparisons in terms of dollars, especially between pre-war and post-war figures, would be misleading.

The main point brought out in Table 1 has a particular interest for all who are engaged in distribution activities. I refer to the percentages of spread between producers' values and retail values—a term which covers not only mark-ups but all transportation and selling costs not paid by producers' as well as distributors' profits. These percentages are surprisingly near together in all the four years. No strong tendency either upward or downward is discernible. And this simple statement of fact ought to be enough, it seems to me, to silence most of the violent outcries about the alleged abuses and wastes of our system of distribution.

To be sure, distribution is wasteful and inefficient; so are all other processes carried on by human organizations. But many critics go much farther; they make reckless charges of extravagance; they paint heart-rending pictures of unhappy customers bowed to earth under an overwhelming and growing burden of costs of distribution. This line of poppycock is becoming tiresome. The cold truth is that for at least twenty years distribution costs, not counting the unknown but small percentages required for producers' own selling

and advertising, have taken on the average slightly over one-third of the consumers' retail dollar. The stability of this proportion over a long period is in itself good *prima facie* evidence that distribution costs have not run wild. Many of us would like to see them reduced, and I am inclined to believe that a moderate decrease is actually within reach. It can be realized, however, only through patient investigation and analysis by people who understand the problem, not through ignorant outbursts.

As to the facts themselves, all of us have been misled to some extent, I think, by exceptional cases. For

TABLE 1
SUMMARY OF TOTAL VALUES AND SPREADS
ON CONSUMERS' GOODS
(Millions of Dollars)

	1909	1914	1923	1929
Retail Values of Manufactured Goods [*]	11701.1	14036.7	34640.2	40131.1
Factory Values	7969.1	9631.4	23287.5	27229.0
Total Spread	3732.0	4405.3	11352.7	12902.1
Per Cent of Total Spread to Retail Values	31.89%	31.38%	32.77%	32.15%
Retail Values of Non-Manufactured Consumers' Goods	2721.5	3247.6	6625.1	6501.1
Values at Points of Production	1295.4	1545.0	3010.6	3103.8
Total Spread	1426.1	1702.6	3614.5	3397.3
Per Cent of Total Spread to Retail Values	52.40%	52.43%	54.56%	52.26%
Retail Values of all Consumers' Goods [*]	14422.6	17284.3	41265.3	46632.2
Values at Points of Production	9264.5	11176.4	26298.1	30402.3
Total Spread	5158.1	6107.9	14967.2	16229.9
Per Cent of Total Spread to Retail Values	35.76%	35.34%	36.27%	34.81%

example, I took it for granted at the outset, on the strength of a few personal observations and the opinions of some experienced merchandisers, that retail mark-ups were generally higher in post-war than in pre-war years. But this prejudgment was incorrect; that is, it was found true of only a small number of commodities with relatively limited sales volumes. Another source of confusion has been the publicity given by the Federal Trade Commission, the Department of Agriculture, and other agencies to the distribution costs on fresh foods, which are necessarily high. It has frequently been assumed, without warrant, that similar costs are borne by manufactured products.

*Excluding Alcoholic Beverages.

TABLE 2
ESTIMATED RETAIL VALUES OF CONSUMERS' GOODS PRODUCED
SUMMARIZED BY COMMODITY GROUPS
(Millions of Dollars)

	1909	1914	1923	1929
Total Retail Values	15861.2	18862.7	42765.3	48632.2
Foods and Beverages (Including Alcoholic Beverages)	7647.0	9298.7	16599.0	20026.6
Cigars, Cigarettes, Tobacco	532.5	618.0	1300.9	1552.0
Clothing	3522.8	3833.1	10317.9	10387.9
Transportation (Chiefly Automobiles, Accessories and Gasoline)	482.6	877.6	4369.1	5151.0
Furniture and House Furnishings	1070.4	1211.5	3514.0	4179.6
Musical Instruments and Radio	140.3	162.4	582.3	919.9
Coal and Wood	655.7	799.3	1557.4	1261.3
Hardware, Tools and Paints	147.0	165.8	467.7	547.5
Jewelry and Silverware	240.7	242.7	575.0	577.6
Drugs and Toilet Goods	252.9	308.9	874.8	1117.0
Books, Periodicals and Stationery	545.0	663.4	1306.8	1681.3
All Others	624.3	681.3	1300.4	1278.6

Again, it is well known that household specialties calling for a good deal of outside selling carry a larger margin than is needed for staples, and the sales of these specialties have certainly grown rapidly in recent years. On top of that, many retailers are providing deliveries at a distance and other expensive free services formerly unheard of; and someone must pay for the added outgo. But offsetting these factors are the large sales of automobiles on a small margin and the tendency to concentrate the retailing of staples in low-cost chains. The net result, then, of all our revolutionary changes in products and in channels of distribution during the

past twenty-odd years is an inconsequential modification in our over-all percentage of distribution costs.

Table 2 breaks down the total retail values shown in Table 1 into twelve commodity groups. The totals in the two tables are somewhat different in that Table 2 takes into account rough estimates for alcoholic beverages (omitted from Table 1 because of difficulty in ascertaining mark-ups in recent years).

The total retail value of consumers' goods produced or imported in 1929, then, as we calculate it, was \$48,632,200,000. Please bear in mind that we are dealing throughout only with goods for personal or household use, not with total retail sales.

Based on an analysis of the United States Summary