

3/19/82

Dear Bob,

I hope you'll find the time to go over the enclosed article,
and tell me what you think? I don't believe it would be good for
the Journal because of the references.

think

Do you the concept of Sales per Employee of Major Industries
deserves to be worked up annually by a statistically reliable group?

Best Wishes,

Sam

4-927

SALES PER EMPLOYEE IN MAJOR U.S. INDUSTRY GROUPS

The average sales per employee (\$1,000), excluding Petroleum Refining,* is \$56.4. The difference between the lowest, \$30.1, and the average is \$26.3, or 46.6%. The difference between the highest, \$89.3, and the average is \$32.9, or 58.3%. The difference between Petroleum Refining, \$279.0, and the average is \$222.6, or 394%. There is a marked difference between the latter and all the others, What can account for it? Perhaps assets per employee?

Sales per employee divided by the average sales per employee minus one (1) gives the percentage of profitability as compared to the average.

$$\text{Sales per Employee} / \text{Average Sales per Employee} - 1 = \% \text{ Profitability.}$$

Any discrepancy in earning capacity should normally be corrected by a shift from the less-than-average earning groups to the more-than-average earning groups. Impediments to this free flow of business enterprise would alter or prevent all enterprise from equalizing.

It might be beneficial to enumerate these impediments:

1. Union restrictions.
2. Government regulations.
3. Government taxation or subsidies.
4. Tariffs.
5. Advantages due to large accumulations of money.
6. Monopoly of land or natural resources.
7. Cartels, collusion, price-fixing, etc.

Perhaps another factor should be considered in our equation, and that is Capital. Also, should Land be considered, and, if so, how much, the land actually being used? What about extra land, that legitimately being held out for future use, and that being held too far out, or for Speculation or Monopoly control?

Total Sales could be accounted for by Wages for Labor, Interest for Capital, the rest being Rent for Land and/or Special Privilege or Advantages as listed above.

Sales - Wages - Capital = Land plus Special Privileges.

$$\frac{\text{Sales}}{\text{Wages} + \text{Interest} + \text{Rent}} = 1.$$

If Wages tend to equalize, and Interest also, then it must be Rent and other Special Privileges that vary considerably. If Sales are high, as 279, for example, and Wages 20, and Interest 20, Rent must be 239 to make the equation = 1.

The Natural Equalizer to apply here, Since Wages and Capital flow freely, but Land does not, is to apply a Land Value Tax to make it do so and correct inequities and to replace the Income Tax and the Corporate Profit Tax.

Comparing two industries, Oil and Auto, the following table was constructed:

	Gross Sales (in Millions)	Number of Employees	Gross Sales per Employee	Value Added by Mfr. (in Millions)
Oil	\$67,628***	147,600**	\$458,186*,***	\$14,223.7**
Auto	68,810†	1,763,300**	39,023*,†	64,166.4**

The figure for Oil for Gross Sales (in Millions) was obtained by multiplying Production of Crude Oil for the U.S. for 1978*** in barrels by 42 gallons per barrel and the Average Retail Price of Gasoline-Regular-excluding taxes for 1977 of \$0.507, thus:

$$3,175,927 \times 42 \times \$0.507 = \$67,628 \text{ (in Millions).}$$

U.S. Imports of Oil in 1977 were 8,714 (in thousands of barrels per day)***, pg. 184.

$$8,714,000 \times 365 \times 42 \times \$0.507 = \$67,727.9 \text{ (in Millions).}$$

Total U.S. use of Oil was then \$135,356.1 (in Millions), or 7.2% of the total U.S. GNP for 1977 of \$1,889,600 (in Millions). This compares with Total U.S. Receipts for that year of 18.9% and Total U.S. Outlay of 21.3%.

The American Petroleum Institute gives a total of 564,800 employees for 1977 for Petroleum and Natural Gas Extraction and Petroleum Refining.^{††}

The % Profitability above the Average for Motor Vehicles* is \$57.1/\$56.4 - 1 or 1.24%. That previously given for Petroleum Refining* was 394%.

From our table, Gross Sales per Employee for Oil is 11.7 times that for Auto (\$458,186/\$39,023).

I realize there are inconsistencies in the present analysis which could be beneficially cleared up. Group nomenclature and statistics are ambiguous, incomplete, or overlapping. They vary according to the source. For example, Table No. 941, page 576, U.S. Statistical Abstracts, 1980, cites under Industries: "Petroleum Refining" and "Mining, Crude Oil Production", and "Motor Vehicles"*. The World Almanac cites "Petroleum and Coal Products" and "Transportation Equipment"**. The World Almanac on another page (page 185) cites "Production of Crude Oil"***. The American Petroleum Institute cites "Petroleum and Natural Gas Extraction" and "Petroleum Refining"^{††}.

Other statistical errors must be present. For example, although I tried to use figures for 1977, the figure for Oil Production was 1978*. Since different sources were used, different years may have been used. The price of oil for 1977 of \$0.507 per gallon average retail price-regular--excluding taxes would have to be changed sig-

nificantly if it were brought up-to-date. And most other figures would change likewise significantly.

Although the accuracy of the statistics leaves much to be desired, I believe the basic concept of a large unearned income, or tax on the production of others, in some U.S. Industries cannot be effectively denied. Also, the principles of analysis used above can and should be applied to other major industries.

For the sake of brevity, I have not included other statistics, mostly on Oil, which, in general, tend to substantiate the above conclusions.

I would appreciate suggestions, criticisms, advise, as to better sources of statistics, names of people and organizations which have done work in, or are interested in working on this type of analysis.

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P.S.:

Consideration of the last column of our table** will show that the Oil Industry may be called Labor Dilute and the Auto Industry may be called Labor Intensive. The degree of labor dilution or labor intensiveness may be gauged by dividing the Value Added by Mfr. by the difference between Gross Sales and the Value Added by Mfr, thus:

$$\text{Oil} \quad \frac{\$14,223.7}{\$67,628 - \$14,223.7} = 26.63\%.$$

$$\text{Auto} \quad \frac{\$64,166.4}{\$68,810 - \$64,166.4} = 1,382\%.$$