

11230

LEVEN:

Dhananjayrao Gadgil Library



GIPE-PUNE-011230

THE INSTITUTE OF ECONOMICS
OF
THE BROOKINGS INSTITUTION

PUBLICATION No. 74

THE BROOKINGS INSTITUTION

The Brookings Institution—Devoted to Public Service through Research and Training in the Social Sciences—was incorporated on December 8, 1927. Broadly stated, the Institution has two primary purposes: the first is to aid constructively in the development of sound national policies; and the second is to offer training of a super-graduate character to students of the social sciences. The Institution will maintain a series of co-operating institutes, equipped to carry out comprehensive and inter-related research projects.

The responsibility for the final determination of the Institution's policies and its program of work and for the administration of its endowment is vested in a self-perpetuating Board of Trustees. The Trustees have, however, defined their position with reference to the investigations conducted by the Institution in a by-law provision reading as follows: "The primary function of the Trustees is not to express their views upon the scientific investigations conducted by any division of the Institution, but only to make it possible for such scientific work to be done under the most favorable auspices." Major responsibility for "formulating general policies and co-ordinating the activities of the various divisions of the Institution" is vested in the President. The by-laws provide also that "there shall be an Advisory Council selected by the President from among the scientific staff of the Institution and representing the different divisions of the Institution."

BOARD OF TRUSTEES

DWIGHT F. DAVIS, <i>Chairman</i>	LEO S. ROWE, <i>Vice-Chairman</i>
ROBERT PERKINS BASS	ROLAND S. MORRIS
CLARENCE PHELPS DODGE	HAROLD G. MOULTON
MARSHALL FIELD	LESSING ROSENTHAL
JEROME D. GREENE	ANSON PHELPS STOKES
ALANSON B. HOUGHTON	HARRY BROOKINGS WALLACE
JOHN C. MERRIAM	JOHN G. WINANT

HAROLD G. MOULTON, *President*
LEVERETT S. LYON, *Executive Vice-President*
EDWIN G. NOURSE, *Director, Institute of Economics*
FRED W. POWELL, *Acting Director, Institute for Government Research*

THE INCOME STRUCTURE OF THE
UNITED STATES

THE INCOME STRUCTURE
OF
THE UNITED STATES

BY
MAURICE LEVEN

Assisted by
KATHRYN ROBERTSON WRIGHT

THE BROOKINGS INSTITUTION
WASHINGTON, D.C.

1938

COPYRIGHT 1938 BY
THE BROOKINGS INSTITUTION

Set up and printed
Published February 1938

X: 31.73.N36

98

11230

Printed in the United States of America
George Banta Publishing Company
Menasha, Wisconsin

DIRECTOR'S PREFACE

To the average individual who gets his living in the form of a pay envelope or salary check, supplemented perhaps by a few cash items derived from property ownership, "income" seems to be a word of plain and unmistakable meaning. This simple view, however, is not shared by the man of wealth who sits down to balance his books for the year and to make out his annual income tax return. Besides a greater number of cash receipts and disbursements which have to be computed, allocated, and offset against each other, there are a large number of other items which involve valuations to be placed on property rights, intangible burdens or benefits to be imputed, and nice questions to be decided as to the times and places at which particular values may be said to have accrued. But even when a figure acceptable to the accountant and to the income tax collector has been arrived at, it may not conform to the economist's concept of income or be adequate for expressing the whole of that concept.

When we pass from the complicated but still relatively manageable problem of *individual* income to the much more elusive but highly important task of analyzing *national* income, additional and even larger difficulties are encountered. And yet many questions of public policy, legislative action, business decision, or even individual conduct are settled upon or influenced by our knowledge or beliefs as to the total amount of national income, the sources from which it is derived, its distribution among geographical areas, sectors of business, claims of participation and beneficial right. Hence it becomes

increasingly important not only that we improve the character of the data on which such calculations are made but also that we use the utmost care to ascertain the full meaning and significance of these data. Definitions and distinctions are quite as important as the numerical magnitudes. The whole structure of incomes must be seen as an expression of the national economic life.

This brief volume not merely presents important information as to the distribution of the national income among the several groups but also analyzes the factors which determine or influence it. The period covered is from 1929 to 1936, with emphasis on the changes in income distribution which have taken place.

This study is an outgrowth of the series on Income and Economic Progress made possible by grants from the Maurice and Laura Falk Foundation of Pittsburgh. The committee which co-operated with the author in the preparation of the book included Harold G. Moulton and Spurgeon Bell.

EDWIN G. NOURSE
Director

Institute of Economics
January 1938

11230

CONTENTS

	PAGE
DIRECTOR'S PREFACE	vii
INTRODUCTION	I
CHAPTER I	
INCOME AND ITS DETERMINANTS	4
The Meaning of Income and Income Distribution ..	4
"Goods and Services" <i>vs.</i> "Want Satisfaction"	8
Factors Determining the Distribution of Income	10
CHAPTER II	
OCCUPATIONAL DIFFERENCES IN INCOME	15
Earnings of Broad Population Groups in 1929	15
Annual Earnings in Specific Occupations	21
Hourly Earnings in Three Major Industries	29
CHAPTER III	
INDUSTRIAL AND GEOGRAPHIC VARIATIONS	36
Industrial Differences	36
Geographic Differences	41
CHAPTER IV	
AGE, SEX, AND COLOR AS INFLUENCE ON INCOME ...	47
Age	47
Sex	53
Color	60
CHAPTER V	
GROUP ACTION	67
Business Groups	68
Farm Groups	71
Labor Groups	75

CONTENTS

CHAPTER VI	
VARIATIONS DUE TO EBB AND FLOW OF BUSINESS ACTIVITY	80
The Business Cycle	81
Industrial Disputes	88
Technological Progress	90
Immobility and Stranded Populations	92
CHAPTER VII	
SECONDARY INCOME	99
CHAPTER VIII	
WAGE CHANGES SINCE 1929	106
Earnings of Employees in 1936	107
Wage Shifts in Manufacturing Industries	109
Recent Influences in the Wage Situation	115
CHAPTER IX	
CHANGES IN DISTRIBUTION BY INCOME CLASSES SINCE 1929	119
Professional Incomes of Physicians and Lawyers	119
Earnings of Steel Workers	121
Incomes Reported on Tax Returns	124
Incomes of Urban Families	126
CHAPTER X	
CHANGES IN GROUP INCOME SINCE 1929	129
Sources of Income	131
Claimant Groups	134
The Situation in 1937	136
APPENDIX	145
INDEX	175

THE INCOME STRUCTURE OF THE
UNITED STATES

INTRODUCTION

The purpose of the present study is to contribute toward the clarification of thought in the important field of income and its distribution. No attempt will be made to say anything essentially new. Rather, the effort will be directed toward pointing out some simple—and what may appear obvious—truths relating to the income structure and to the statistics pertaining thereto.

The analysis might be undertaken from several viewpoints. It might run in terms of broad economic, social, or industrial groups, or it might refer to the simpler elements of the income structure such as the individual income recipient or the family. Our major concern in this study is the latter, although some attention will be given to the consideration of income groups—employees, entrepreneurs, and investors—and to the industrial composition of the national income. Since the majority of the income recipients¹ in the country, of whom there are more than 50 millions, gain most or all of their income as employees, a considerable portion of our analysis will be in terms of variations of wages and earnings.

The subject matter of this study falls into two parts. The first, extending through Chapter VII, deals with the wage and income structure in general, and the second with the changes which have occurred since 1929. The first seven chapters are devoted to the causes of the wide variation found in the incomes of the American people. Two groups of determinants are discussed: those related to the characteristics and environment of the income re-

¹ Income recipients include all those who are classified by the Census of Occupations as "gainful workers" (exclusive of unpaid family workers) and those who are not gainful workers but who receive income from investments, pensions, etc.

ipients, such as occupation, industry, age, sex, and color; and those related to the ebb and flow of business activity, which are superimposed on the more basic factors included in the first group.

In undertaking to set forth the reasons for the variations in income there is no intention to "explain away" the inequalities in income and the existence of poverty in the United States. The purpose is only to show that income inequality and poverty are traceable to different causes calling for different remedies. Some sources of inequality can be eliminated only by making the people concerned more productive, that is, by adding to the sum total of the national income rather than by dividing a given total more equally; others must be remedied by the more adequate recognition of the social responsibility of caring for the aged, the disabled, and the unfortunate who cannot be expected to make any great contribution towards the national income and who must be either fully supported or have their meager earnings properly supplemented.

The distinction may be emphasized by the fact that while in one case low earnings are indicative of the nation's failure to utilize its productive resources to the fullest extent, in the other case low earnings may be indicative of a salvaging process which makes use of productive human energy, which might otherwise not be used, by supplying employment to those who are below par in productive capacity. Inherently there would seem to be nothing to be disturbed about if an old or crippled person, whose maintenance in decency would cost \$1,000 per year, has an occupational income of only \$200, provided he is not forced to depend upon his earnings exclusively. If he were removed from economic activity and maintained entirely at social expense, as his condition might justify, society would be poorer by the loss of his

product, meager though it might be.

There is another type of low income which should cause no qualms to our social conscience and that is the incomes of those who from choice live on a more primitive economic plane than the nation as a whole. Living beyond the paths of economic life may have its compensations, but the income it brings cannot be evaluated in dollars and cents and hence should not be conceived as being on a comparable basis with the distribution of the money incomes of the rest of the population. On the other hand, society should make an effort to enable those who are strayed or stranded to join the main course of economic life if they so desire.

The discussion of the changes in the income structure in the second part of the study must remain tentative for two reasons. In the first place, the figures are still incomplete, and in the second place it is still early to determine which of the changes will endure and which will not. It is not even possible at this moment to determine with certainty the phase of the economic cycle through which we are now passing. Even under the best conditions economic life is in a state of flux and is at no time "normal." Today it appears particularly uncertain. However, there is value even in a tentative statement because of the perspective it lends to the discussion of the income structure in general.

An effort is made throughout this volume to present the facts in as brief and simple form as possible and to cast the discussion in familiar rather than technical terms. The nature of the subject, however, makes it difficult to avoid bordering on the technical at some points. Chapter I, which lays the conceptual groundwork so necessary to an understanding of the implications of income and the income structure, may be a case in hand, and some readers may prefer to read it last.

INDEX

- Age,
of gainful workers, 10, 47-49,
161
in relation to earnings, 47-53,
58-59, 156, 161
- Benefit payments to farmers, 73-
74, 132, 137
- Building trades, earnings of em-
ployees in,
changes in, since 1929, 109, 169
distribution of, 33-34, 38, 149
by geographical division, 43-44,
153
by occupation, 29-34, 38-39,
153, 165
by size of city, 155
union and non-union, 75-77, 165
- Business cycle, 81
- Business groups, effect of, on in-
come structure, 68-71
- Capital gains, 102-03, 129
- Color. *See* Negroes
- Common labor, entrance rates of.
See Wages
- Consumption, 99-105, 129
- Cost of living, 17-18, 42, 44, 108-
09, 138-39
- Dentists, 52, 155
- Dividends, 129, 134-36
- Earnings. *See* Income and Wages
- Employees. *See* Workers
- Engineers, 52
- Entrepreneurial withdrawals, 134-
35
- Entrepreneurs. *See* Self-employed
- Families,
income of, 85-88, 103-05, 126-
28, 145, 166
income recipients in, 13-14
in stranded population areas,
94-96
- Farmers, 16-18, 60-62, 71-74,
137-38
- Farm groups, effect of, on income
structure, 71-74
- Females, 48-49, 53-60, 157-61
- Geographic variations in income,
40-44, 63-64, 153, 162-65
- Granger movement, 72
- Hours worked per week, 110-12,
117, 131, 170
See also Leisure
- Immobility. *See* Stranded popula-
tions
- Income,
by age. *See* Age
changes in, since 1929, 85-88,
107, 119-40, 166
concepts of, 8-9
definition of, 5, 7
distribution of, definition of, 4
effect of group action on, 67-
79
of entrepreneurs. *See* Self-em-
ployed
factors determining distribution
of, 10-14, 99-105
of families. *See* Families
of farmers. *See* Farmers
of females. *See* Females
geographic variations in. *See*
Geographic variations
imputed, 129
by industry, 36-39, 131-33
of males. *See* Males
meaning of, 4-8
measurement of, 8-9
in Michigan, 45-46, 50-51, 57-
59, 154, 156
national, total and per capita,
4, 39, 82-83, 129-31, 134-
35, 137-38
of negroes. *See* Negroes
by occupation. *See* Occupational
differences
professional, 16-17, 46, 50-52,
119-21, 154-56

- of proprietors. *See* Self-employed
- of railway employees. *See* Railways
- "received" vs. "consumed," 99-105
- of self-employed. *See* Self-employed
- speculative, 21, 24, 102
- by size of city, 45-46, 154-55
- in South. *See* Geographic variations
- Income recipients, 1, 13-14, 124
- Income tax returns, 83, 103-04, 124-26
- Industrial derivation of income, 131-33
- Industrial disputes, 88-90, 167
- Industrial variations in income, 36-39
- Interest, 129, 134-36
- Iron and steel, earnings of wage earners in,
 - changes in, since 1929, 110-11, 113-15, 121-24, 170, 173
 - distribution of, 33-34, 38, 148
 - by occupation, 29-34, 39
- Labor force. *See* Workers
- Labor groups, effect of, on income structure, 75-79
- Lawyers, 119-21
- Leisure, 106-07
- Males, 48-49, 53-60, 157-61
- Manufacturing industries, earnings of wage earners in, 37, 84-85, 107-15, 139, 168-73
 - See also* Iron and steel and Textiles
- Men. *See* Males
- Minors. *See* Age and Workers
- Mobility of labor. *See* Stranded populations
- Negroes, 60-66, 162-64
- Occupational differences in income by,
 - age, 50-53, 156
 - broad population groups, 15-21
 - color, 64-65, 163
 - geographical division, 153, 165
 - industry, 21-35, 145-47, 150-51
 - sex, 48, 55-57, 157-60
 - size of city, 45-46, 154-55
- Physicians, 46, 52, 119-21, 155
- Population, increase in, 132-33, 138
- Professions. *See under* Income
- Profits, 140
 - See also* Capital gains and Entrepreneurial withdrawals
- Proprietors. *See* Self-employed
- Railways, earnings of employees on,
 - by age, 53
 - changes in, since 1929, 88, 107, 109, 169
 - by occupation, 21-32, 145-47
- Rents and royalties, 129, 134-36
- Salaries, total, 129, 134-35
 - See also* Income
- Savings, 101-05
- Self-employed, 19-20, 50-52, 129, 154-56
 - Sex. See* Females and Males
- Sources of income, 129, 132-33
- South. *See* Geographic variations
- Steel. *See* Iron and steel
- Stranded populations, 41-42, 92-98
- Strikes, 88-90, 167
- Tariff legislation, 69-71
- Technological progress, 90-92, 131
- Textiles, earnings of wage earners in, 35, 150-51
- Trade associations, 67-71
- Unemployed, number of, 139
- Unions, 75-79
- "Use" income, 99-105
- Wage earners. *See* Wages
- Wages,
 - in building trades. *See* Building trades

INDEX

177

- changes in, since 1929, 84-85,
107-15, 121-24, 134-35,
168-73
- by color, 62-66, 162-64
- entrance rates of common labor,
30-34, 38, 43, 62-64, 152,
155, 162-64
- geographic variations in, 41-44,
63-64, 153, 162-65
- in iron and steel. *See* Iron and
steel
- in manufacturing industries. *See*
Manufacturing industries
- occupational differences in. *See*
Occupational differences
- on railways. *See* railways
- recent influences on, 115-18
- Sex. *See* Females and Males
- in textiles, 35, 150-51
- total, 129, 134-35
- union and non-union, 75-77,
165
- work relief, 132
- Women. *See* Females
- Workers,
age of, 10, 47-49, 58, 161
- increase in number of, 131-33
- minors, 10, 47, 49, 58, 161
- mobility of. *See* Stranded popu-
lations
- old, 10, 47-49, 58, 91, 161
- sex of, 53
- unemployed, 139
- Working hours, 110-12, 117, 131,
170

CHECKED
2003-04

11230

*The Income Structure
of the United States*

Name of borrower Lent on Received

SERVANTS OF INDIA SOCIETY'S LIBRARY
- POCNA 4.

1. Books taken from the Library may not be retained for more than a fortnight.
2. Borrowers will be held strictly responsible for any damage done to books while the books are in their possession.