Volume Title: Fiscal Planning for Total War

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Volume Publisher: NBER

Volume ISBN: 0-870-14117-1

Volume URL: http://www.nber.org/books/crum42-1

Publication Date: 1942

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Chapter URL: http://www.nber.org/chapters/c4919

Chapter pages in book: (p. 51 - 68)

Distribution of Incomes and Expenditures

WE TURN NOW to an analysis of the probable distribution of the money incomes which will be generated by the military and civilian production during the fiscal year 1943. Money incomes as a whole have risen since the inception of the defense program, not only as a result of the rise in the national output, but also because of the advance in prices since May 1940. Further gains in total money incomes will take place to the extent that the expected additions to the national output are realized, and also so far as price levels continue to advance.

From the standpoint of an analysis of the fiscal problems of the government during the war, a knowledge of the probable division of aggregate money incomes among broad income receiving groups is of great importance. Thus, if we can ascertain what income groups are likely to receive not only the greatest share of aggregate money incomes but also the largest proportion of the income increments during this period we shall have a guide to taxation and borrowing policies of prime significance. Just as the basic problem of a major war effort is one of diverting real resources from civilian to military uses, the corresponding financial problem is one of locating and transferring to the government through appropriate fiscal action as large a proportion as possible of those funds in the hands of civilians which might otherwise cause dangerous and unnecessary competition for the resources essential to the national war effort, and a harmful inflation of prices.

In this chapter we present first some estimates of approximate aggregate money incomes likely to be received by certain broad income groups. We then consider what share of the aggregate money incomes received by each of the several groups will tend to be spent on consumption, and what part will remain for savings, gifts, and taxes.

The level of total money incomes discussed in this chapter is the aggregate which we roughly estimate is likely to be distributed to individuals in the United States in the fiscal year 1943, provided inflationary tendencies are restrained. It is derived from our estimate of gross national product in 1940 dollars, in the preceding chapter, at approximately $128 billion for the fiscal year 1943. By March 1942 prices as measured by the cost of living index had risen to a point 14 per cent above the average for 1940. The highest prices reached during this month were subsequently established as price ceilings above which purchases and sales of most commodities were prohibited. It is too early to judge how effective this restriction will be in preventing further price increases, but we can be reasonably certain that average prices in the fiscal year 1943 will at least be no lower. If they should rise no further, the gross national product, in dollars then current, would approximate $146 billion, which would be equivalent to our estimate of $128 billion in 1940 dollars.

As explained in Chapter 1, gross national product exceeds net national income by the total of business taxes and the aggregate allowance for depreciation, depletion, and certain other business charges. Deducting our estimate of $23 billion for the former and $10 billion for the latter leaves $113 billion for net national income in the fiscal year 1943. Net national income, in turn, exceeds total money incomes of individuals, or national income paid out, by the amount, if any, of aggregate corporate savings. Such savings were estimated by the Department of Commerce at $3.5 billion in 1941, and we believe are likely to reach about $4 billion in the fiscal year 1943. Making this final deduction, we arrive

at a rough estimate of $109 billion for total money incomes of individuals in the fiscal year 1943. This figure is therefore used as our estimate of probable money income distribution.

Broad averages and aggregates alone are considered because changes in individuals' incomes will not be uniform. The incomes of some will increase sharply, while those of others will rise little if at all, and some will actually decline. Nevertheless, the regularities in the distribution of incomes in each of the last twenty years support our expectation that the broad averages will move generally in the regular way set forth below.

1 ESTIMATES OF INCOME DISTRIBUTION

Using the National Resources Committee studies of income distribution and consumer expenditures in 1935–36 as a base,[1] we have estimated incomes and consumer expenditures by various income brackets that might be expected if, *during an ordinary peacetime expansion,* aggregate money incomes rose to $109 billion, as we expect they will in the fiscal year 1943. In our estimates of incomes by income brackets we included the incomes of military personnel, but no specific allowance was made in estimating numbers of consumer units by brackets, to take account of expansion of the armed forces.

In preparing these estimates, we allowed for changes in expenditure patterns caused by the substantial tax advances between 1935–36 and 1941 on the assumption that consumers respond to heavier tax liabilities as they would to comparable reductions in their incomes. We did not, however, make any specific allowance for changes in the price level or for lower consumer expenditures because fewer goods are on the market. That is, these estimates assume that all the goods consumers would ordinarily *want* to purchase at the higher levels of total money incomes would be available. We attempt later in the chapter to make rough allowance for the shortage of purchasable supplies.

Moreover, these estimates make no allowance for any

changes in the way income was distributed between 1935–36 and 1941, and that may occur between the calendar year 1941 and the fiscal year 1943. These actual and probable shifts in income distribution are discussed later, and some rough adjustments are made in our calculations to allow for them.[2]

As money incomes rise, the number of families or units having incomes at the lowest levels will decrease, while the number at all higher levels will tend to increase, since more families will be shifting from lower to higher levels than from higher to lower, all along the line. We estimate that when incomes reach $109 billion at least 6.7 million fewer families will be earning less than $1,750 than was the case in the fiscal year 1941 (Table 8).[3]

TABLE 8

Estimates of Consumer Units and Incomes by Income Groups, at Total Money Income Levels of $81 and $109 billion, and Net Changes

	CONSUMER UNITS (thousands of units)			CONSUMER INCOMES (billions of dollars)		
INCOME GROUP	$81	$109	Net Change	$81	$109	Net Change
Below $1,750	25,817	19,079	—6,738	24.6	19.4	—5.2
$1,750-10,000	14,904	21,333	+6,429	43.9	69.3	+25.4
Over $10,000	553	862	+309	12.5	20.2	+7.8
Total	41,274	41,274	0	81.0	109.0	+28.0

This decline in the number of units in the lowest group will reduce sharply the *aggregate incomes* of those remaining in the brackets making up this group. Our estimates suggest that the aggregate incomes of all units with incomes below $1,750 will be about $5.2 billion less when income payments reach $109 billion than at the level attained in the fiscal year 1941. On the other hand, the number of economic units in the $1,750-10,000 group will increase 6.4 million, and total incomes received by this group will be some $25.4 billion

higher. For the group receiving incomes in excess of $10,000, the increase in aggregate incomes will be about $7.8 billion. Therefore, the gain in the highest group will be only moderately greater than the decline in the lowest group, while the middle group will receive about 63 per cent of total income payments made at this level and some 90 per cent of the net increment in total incomes.

Changes in the Inequality of Income Distribution

As stated above, we made no allowances for shifts in distribution which would cause the higher income groups as a whole, or the lower income groups as a whole, to show relatively greater gains in money incomes. If the former occurs, the tendency will be for the income distribution to become more unequal; if the latter, the trend will be to a less unequal distribution.

Since the first World War, there has been a tendency to a more unequal distribution of incomes during periods of rising national output, although this tendency did not appear in the recovery which followed the depression low of 1932.[4] In those years of expansion between 1932 and 1940, even the years of highest national output seem not to have been marked by greater inequality than prevailed in 1932. Moreover, during an intense war effort, special conditions are likely to reverse the usual trend. For example, the distribution of income actually became less unequal in each of the years 1917, 1918, and 1919, despite an accompanying sharp rise in prices, which usually tends to cause a more unequal income distribution.[5]

Indications that the distribution of income has become less unequal since the start of the defense program are abundant. Since the summer of 1940 wages have been rising more rapidly than total consumer incomes, while dividends have gained less than incomes as a whole. While national income payments were 18 per cent greater in 1941 than in 1940, wage payments rose 25 per cent and dividends only 6 per

cent.[6] Further analysis of the wage trend reveals that total payments to factory workers were 41 per cent greater in 1941 than in 1940, while total factory employment increased 18.8 per cent.[7] We continue to have a sellers' market for labor, with wage rates almost certain to advance further under union pressure in the absence of effective governmental restriction.

The heavy incidence of war taxation on corporate profits will be an important factor in checking a further rise in dividends. Whereas 245 large industrial corporations had earnings before federal taxes 160 per cent greater in 1941 than in 1939, the corresponding gain in profits after taxes was only 40 per cent.[8] Another influence tending to limit dividends still further is the widespread caution of business executives. Corporations are maintaining unusually large cash reserves for contingencies and are trying to keep themselves as liquid as possible for the postwar adjustments they dread. These tendencies are almost certain to continue. That their influences are already making themselves felt is reflected in the difference in the gain in 1941 over 1940 in corporate net profits retained and in dividends: 30 and 6 per cent respectively.[9]

Since wages are paid largely to those in the lower brackets, and dividends largely to those in the higher, the distribution of income has been shifting in favor of those in the lower brackets since the start of the defense program. The probable continuation of the recent tendency of wages to rise relatively to dividends will be a strong influence in the direction of an even less unequal distribution of income. Although a general rise in prices will tend to modify this result, it will probably not be sufficient by the end of the fiscal year 1943 to effect a change in the recent trend. Unless price inflation becomes very pronounced, we believe that any further shifts are more likely to be in the same direction than in the reverse. Although we did not find it feasible to attempt a precise measurement of these actual and prospective shifts in income

distribution, we believe they are likely to be sufficient to necessitate some rough adjustments if the estimates in Table 8 are to be a reasonable approximation to the probable distribution in the fiscal year 1943.

Such a shift toward a less unequal distribution may be expected to change the pattern in a period of rising national output. Aggregate incomes received by the group above $10,000 will rise less sharply than incomes as a whole, first, because of smaller than average increases on the part of income recipients already in this group; second, because fewer will move up into the highest group from those below $10,000.

The group below $1,750 will show income increments greater than the average. As a result, substantial numbers of such income recipients will move up into the next group. The net effect on the aggregate incomes of this lower group will be to accentuate the tendency shown in Table 8. Therefore, the number of economic units remaining in this group will decline, and in turn the aggregate incomes received by the group will be smaller.

Conflicting tendencies will appear for the $1,750-10,000 group. The lower ranges of those already in this group will show greater than average increases, while the upper ranges will show smaller than average increases. On the other hand, this middle group will gain in number both from those who move up from the lower group and from the retention of a greater than usual number of those who would ordinarily move up into the group above $10,000. The net result will be an increase in the aggregate income received by this middle group equal to the combined losses of the group above $10,000 and that below $1,750.

The greatest percentage loss in aggregate income will probably be suffered by the group above $10,000. As a rough estimate, we believe this group may actually receive in the fiscal year 1943 about 10 per cent less than the estimate of $20.2 billion in Table 8, or approximately $18 billion. The

group below $1,750 will probably lose somewhat less. On
the whole, we feel that the aggregate for this group may be
estimated also at $18 billion against $19.4 billion shown in
Table 8. Since the aggregate income of the middle group
will benefit by the losses of the other groups, we arrive at an
estimate of about $73 billion for the $1,750-10,000 group,
compared with the total of $69.3 billion in Table 8.

2 DISTRIBUTION OF CONSUMER EXPENDITURES

As set forth in Table 9, the shifts in aggregate consumer ex-
penditures to be expected in an ordinary rise in income pay-
ments to the $109 billion level would be similar in direction
to the shifts in the distribution of total money incomes shown
in Table 8. Our estimates show that, at an income level of
$109 billion, all consumers with incomes under $1,750 would
ordinarily spend some $5.5 billion less than the expenditures
of the larger number of economic units in this same group

TABLE 9

Estimated Aggregate Expenditures of Consumers by Income
Groups, at Total Money Income Levels of $81 and $109 billion,
and Net Changes (billions of dollars)

INCOME GROUP	$81	$109	NET CHANGE
Below $1,750	24.4	19.0	—5.5
$1,750-10,000	34.4	52.5	+18.1
Over $10,000	4.4	6.6	+2.3
Total	63.2	78.1	+14.9

at the lower levels of the fiscal year 1941. Total expenditures
of the group above $10,000 would be only a little more than
$2 billion greater than in 1941. On the other hand, the in-
crease in expenditures for the $1,750-10,000 group would
amount to about $18 billion, as compared with a net gain
of some $14.9 billion for income recipients as a whole. Aggre-
gate expenditures of this middle group would amount to

about $52.5 billion, or some 67 per cent of all consumer expenditures at this level of total income payments.

The figure of $78 billion in Table 9 is an estimate of total consumer expenditures which might be expected if all wanted goods were in ample supply at a level of $109 billion for aggregate income payments. Our analysis in Chapter 2, however, concluded that, under the special stringencies of the war, total *civilian* consumption may actually amount to only about $53 billion against a gross national product of $128 billion, in 1940 dollars, if military outlays absorb half of the total national product. If our fiscal and related policies succeed in restricting the rise in prices to about 14 per cent in the fiscal year 1943 over the level of the calendar year 1940, the above estimate of $53 billion in 1940 dollars would be equivalent to about $61 billion in the prices which would prevail in the fiscal year 1943. This figure of $61 billion represents, therefore, our rough estimate of total civilian expenditures on consumption in the fiscal year 1943 in terms of prices averaging about 14 per cent higher than those of 1940.

The reader should bear in mind that this estimate of $61 billion rests upon three separate assumed figures, any of which may be in error: the size of the gross national product, the total military outlay, and the estimated advance in the price level. Unless appropriate fiscal and other policies prevent substantial inflation, one or more of these assumptions may be seriously in error; and correspondingly the estimate of $61 billion for civilian expenditures may prove widely in error. In other words, unless anti-inflationary measures are vigorous and effective, the analysis of consumer incomes and expenditures in this chapter will lose much of its realism and much of its usefulness as a guide to financial policy.

We must now consider how this curtailment of supply may be expected to modify the consumer expenditure patterns described in Table 9. If we could determine the distribution of the expected curtailment among income groups, we would

have discovered how the current sacrifices incident to the war will be divided.

In the absence of effective fiscal and related policies, shortages of goods without corresponding reductions in money incomes would lead consumers to bid against one another in an effort to maintain consumption. This would drive up their money expenditures, prices, and the dollar amount of the national income, but it would not permit them to avoid a reduction in their real consumption. If we succeed in preventing such inflationary bidding, the dollar amount of spending for goods in short supply will be reduced.

In general, the funds released because consumers are unable to purchase certain goods in which shortages exist will not all be spent on commodities that are in ample supply. Part will be spent in this manner, but a considerable proportion will be available for savings and taxes. If we suppose that the funds so released will be distributed among other purchases in much the same way as additional income would be distributed, we should expect that less than 60 per cent of it would be spent on other goods and services. This supposition, however, does not allow for the closing up of numerous attractive outlets for consumption and the resulting probability that a still smaller portion of the income so released will actually be spent on consumption. Total consumption will be pared when some goods are short, even if all others are not.

Distribution of Demand for Certain Kinds of Goods

In Chapter 2 we noted that, under the pressures of the war, a rising consumer demand for durable goods is certain to meet sharply restricted supplies, while more moderate shortages are likely in the other principal categories of civilian consumption. As this analysis was based upon the demand of the nation considered as a whole, we now proceed to break down these aggregate figures into amounts likely to be demanded by each income group.

Among durable goods, where shortages have already become acute and more are expected, we consider first household furnishings. Our estimates show that more than two-thirds of all purchases of such articles as refrigerators, washing machines, radios, and furniture at an income level of $109 billion would normally be made by the $1,750-10,000 income group. As compared with purchases at the income levels prevailing in the fiscal year 1941, the decline in purchases of this type by the group below $1,750 would be somewhat greater than the increased amounts purchased by the group above $10,000. We estimate that the normal increase in purchases of household furnishings by the $1,750-10,000 group would be nearly 10 per cent larger than the total increment for the country as a whole.

The burden of the curtailment in the supply of these articles as a result of strict rationing will fall most heavily on the lower and middle income recipients who would otherwise be devoting a considerable proportion of their incomes to the purchase of these goods. Inability of the lower income recipients to get these goods will mean less than corresponding increases in expenditures on other things, and wider margins for savings and taxes.

Automobiles present a somewhat different picture. Our estimates indicate that, with a rise in money incomes from $81 billion to $109 billion, expenditures of the group below $1,750 on automobiles (including repairs and maintenance) would ordinarily decline only moderately less than the expenditures by the group above $10,000 would rise. As a consequence, the gain for the $1,750-10,000 group would in ordinary times be expected to amount on balance to virtually the entire total expected increase of a little more than $1 billion. Our estimates also indicate that these middle groups would in such times have spent nearly $5 billion, or nearly three-fourths of the total for the country as a whole.

In view of the substantial wave of forward buying during the first three quarters of 1941, we would not have expected

new car purchases in 1942 or 1943 to rise above the high levels of 1941, even if automobile production were not already curtailed. Independently of these special factors, however, a downturn in the usual three-year cycle of automobile production and sales might have been expected.

Pressure for automobile purchases will become more severe after the digesting period is over and replacement demands swell. The absence of new production will probably be reflected in higher prices and smaller supplies of used cars. It therefore seems likely that at least those at the bottom of the income scale will be less able to purchase automobile transportation. Those above the lowest income groups could probably get adequate automobile services, either by using their old cars longer than usual or by turning to used car markets, if the availability of cars in running condition were the sole factor. This situation, however, has been altered considerably by the severe shortage of tires. A determined and honest administration of the tire rationing program will mean that the burden of restricted transportation is likely to fall on all income groups. We therefore conclude that although maintenance costs and purchase prices may be expected to rise substantially, total automobile expenditures will decline considerably, most of the reduction probably falling on consumers with incomes between $1,750 and $10,000.

With regard to the other categories of consumer demand, such as food, clothing, and services, our analysis in Chapter 2 showed that no substantial diversion to war production was likely. We concluded that no material consumer sacrifices in these lines seemed involved, except in certain foods, such as some meats, dairy products, and fruits, and in silk, woolen, and leather goods. As these shortages appear, the manner in which the burdens are distributed among income groups will depend on the efficiency and determination of rationing. If the scarce goods are effectively rationed, the burden of shortages will be well distributed along the income scale.

If, however, rationing is not adopted or is half-hearted, then we expect that initially the heavier burden of using substitutes will fall on the lower income groups, because others will be willing and able to pay more if prices are allowed to rise or because they will be given preferential treatment by distributors if rationing is lax. In any event, to the extent that substitutes are forthcoming, actual privation will be avoided. The situation would be different, however, if prices should rise substantially: the lowest income groups could easily be forced to spend such a high percentage of their meager incomes on food and clothing that little would remain for other types of goods.

Against this general background we are now ready to consider the probable distribution, by income groups, of the $61 billion which, if fiscal and other policies prevent inflation, we would expect to be spent on consumption by civilians in the fiscal year 1943. As already pointed out, when some goods become short, a considerable proportion of the funds released will not be spent on other goods even if they are abundant. Consequently, a lower than usual percentage will be spent by income recipients who bear the brunt of the shortages in supply, and who, as we have seen, are largely those with incomes between $1,750 and $10,000. Table 9 showed that this group would account for $52.5 billion, or 67 per cent of total consumer expenditures under ordinary conditions if money incomes totaled $109 billion. If we assume that the expenditures of this middle income group will constitute the same percentage of the $61 billion of total consumer expenditures expected at April 1942 prices for the fiscal year 1943, they will amount to $41 billion.

Were no influence except short supplies involved, we might reasonably expect a lower expenditure figure for this income group. However, we must consider the shift in the distribution of income. As indicated in Section 1, we believe that the economic units in this middle group will be considerably more numerous and their aggregate incomes almost

$4 billion greater than suggested by Table 8. Since their expenditures will of course be larger, some $42 billion may be accepted as a reasonable rough approximation for the fiscal year 1943.

As indicated above, the aggregate incomes received in the fiscal year 1943 by the groups above $10,000 and below $1,750 are likely to be less than our estimates for an ordinary period in which aggregate incomes rise to a level of $109 billion. This reduction should mean a greater than average decrease in expenditures from the levels shown in Table 10. On the other hand, both groups will tend to resist strongly a curtailment of expenditures, the top group because of substantial monetary reserves on which they can draw, and the lowest group because such a large percentage of expenditures are necessitous. On the whole, we believe that the expenditures of both groups will decline moderately more than the average for the whole economy, and we roughly estimate expenditures at about $4 billion for the group above $10,000 in the fiscal year 1943, and at about $15 billion for the group below $1,750.

3 DISTRIBUTION OF THE EXCESS OF INCOMES OVER DESIRED EXPENDITURES

Having considered the distribution of money incomes and of the expenditures consumers make in normal times, we analyze the funds they do not, even in ordinary times, spend on goods and services—their savings and sums available for gifts and taxes. Our estimates show that, with aggregate incomes of $109 billion and taxes at the 1941 rates, we could ordinarily expect some $78 billion to be spent by consumers on goods and services. The balance, about $31 billion (Table 10), would accordingly be available for gifts, taxes, and savings. The income group above $10,000 would normally have some $13.6 billion excess of income over desired consumption expenditures, while the $1,750-10,000 group would

have some $17 billion. The latter group would account for about 56 per cent of the net increase in all such excess income.

TABLE 10

Estimated Excess of Incomes over Desired Expenditures, by Income Groups, at Total Money Income Levels of $81 and $109 billion, and Net Increases (billions of dollars)

INCOME GROUP	$81	$109	NET INCREASE
Below $1,750	.2	.5	.3
$1,750-10,000	9.5	16.8	7.3
Over $10,000	8.1	13.6	5.5
Total	17.8	30.9	13.1

It must be reiterated that the above estimates are hypothetical in that they assume a rise in money incomes under peacetime conditions with no artificial shortage of supplies and no drastic advance in prices. We have, however, already seen that, under the exigencies of war, consumer expenditures are not likely to exceed some $61 billion in the fiscal year 1943 out of expected total money incomes of $109 billion, assuming fiscal and other policies that prevent a rise in prices above the April 1942 level. The balance, $48 billion, available for taxes and savings, compares with the $31 billion which we have estimated above would be available in an ordinary peacetime expansion to a money income level of $109 billion.

We have pointed out that, because of shifts in the distribution of income and other influences, the patterns of income distribution and consumer expenditures are likely to be somewhat different from those traced in Tables 8 and 9. These estimated changes will modify in turn the distribution of the excess of incomes above expenditures. In Table 11 we summarize the results of this analysis. The estimates trace roughly the probable pattern for the fiscal year 1943. Al-

though obviously subject to wide margins of error, they should be useful as a benchmark for the formulation of intelligent financial policies.

TABLE 11

Estimated Distribution of Consumer Incomes, Fiscal Year 1943 (billions of dollars)

INCOME GROUP	TOTAL INCOMES	CONSUMER EXPENDITURES	EXCESS OF INCOMES OVER EXPENDITURES
Below $1,750	18	15	3
$1,750-10,000	73	42	31
Over $10,000	18	4	14
Total	109	61	48

4 IMPLICATIONS FOR FINANCIAL POLICIES

As noted above, the validity of the foregoing analysis rests upon assumptions which may prove seriously in error if substantial inflation is permitted to occur. If, however, anti-inflationary measures are vigorous and effective, the figures developed in this analysis may well prove to be at least approximately good predictions. Under such conditions, the figures in Table 11 have important implications for any program which may be devised for financing the war:

1) A financial program which proposed to raise all, or even most, of the vast sums of money required by the government from those with incomes above $10,000 could not possibly succeed, even if all such incomes were confiscated.
2) Very substantial amounts, therefore, must be raised, by taxation and borrowing, from the middle and lower income groups.
3) An ideal financial program, designed to raise the necessary funds and avoid inflation, would absorb through taxation, and through direct and indirect borrowing, all the surplus purchasing power in the hands of individuals in excess of consumption expenditures compatible with the most effective war effort.

4) Although achievement is certain to fall short of such an ideal goal, nevertheless taxation and borrowing policies, to be even reasonably successful, must be designed to absorb substantial percentages of the excess purchasing power from all those income groups in which such excess purchasing power will lodge.

5) An unfortunate, but apparently inevitable, consequence of any adequate financial program will be to impose severe hardships on people whose incomes do not rise with the general increase in total money incomes. The so-called 'white collar' workers, whose salaries tend to be within the middle and lower income brackets, and remain relatively stable in a period like the present, will be especially exposed to such hardships.

NOTES

1 *Consumer Incomes in the United States* and *Consumer Expenditures in the United States* (Government Printing Office, 1938 and 1939).

2 Specifically our method was (1) to apply the Lorenz curve derived from the National Resources Committee study (a) to the higher levels of $81 and $109 billion of distributed incomes to determine the aggregate income for each income bracket, and (b) to 1942 population figures to determine the number of consumer units in each bracket; (2) to assume that within each income bracket the same proportion of total income would normally be spent for consumer goods as in 1935–36; (3) to allow for the effect of added income tax liabilities under the assumption that consumers will treat added income taxes as decrements of income, and distribute their expenditures according to the reduced level of disposable income.

Logically to validate the estimates, the assumptions of (2) and (3) above must be granted, as well as that: (i) all desired supplies of goods will be forthcoming on demand; (ii) the proportionate distribution of income is constant over time, i.e., that the Lorenz curve of 1935–36 is an appropriate one currently; (iii) consumption habits are regular, and on the average are determined for each consumer unit wholly by the size of currently received income, and that the influences of such factors as the direction, size, and rate of change of income level cancel on balance or are negligible; (iv) the price elasticity of demand for each broad category of goods and for all consumer goods as a whole is unitary over the relevant ranges, so that the influence of the price factor in determining aggregate expenditures may be neglected; (v) additions to population distribute themselves on balance along the entire income range in much the same proportions as the population was

formerly distributed; (vi) the results of the National Resources Committee study of incomes and expenditures in 1935–36 were substantially correct.

It is clear that the estimates in Tables 8-10 cannot be interpreted as estimates of actual magnitudes to be realized in 1943. Rather they are mere benchmarks, which are adjusted in the course of the text for changes in the supplies of goods and in the proportionate distribution of income, to arrive in Table 11 at figures that set the general orders of magnitude for the further analysis of the book, particularly for Chapter 6.

[3] A consumer unit is either a family or a single individual living and acting as an economic unit.

[4] W. L. Crum, *Review of Economic Statistics,* Nov. 1935, pp. 116 ff.

[5] F. R. Macaulay, *Income in the United States* (National Bureau, 1922), II, Ch. 28.

[6] *Federal Reserve Bulletin,* April 1942, p. 361; *Survey of Current Business,* Feb. 1942, p. 12.

[7] *Federal Reserve Bulletin,* April 1942, p. 361.

[8] *Ibid.,* p. 295.

[9] *Ibid.,* p. 294.