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Chapter Author: Frederick R. Macaulay

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CHAPTER 29

OFFICIAL INCOME CENSUSES

There has never been a complete income census of the American people. The Federal income-tax data cannot take the place of such a census. Respecting the distribution of income among persons having incomes of less than \$1,000 Federal income-tax data give us no information whatsoever. Furthermore, on account of the exemption of married persons, comparatively little use can be made of the \$1,000 to \$2,000 interval. The number of persons reporting incomes over \$2,000 in our best year, 1918, was only 7.3 per cent of the estimated total number of income-recipients in the country. Moreover, not only because of direct evasion and illegal non-reporting, but also because of "legal evasion" and the large amount of tax-exempt income which need not be reported at all, these income-tax data cannot give an approximately correct picture of even that part of the frequency curve which lies above \$2,000. The adjustments of the income-tax data necessary to obtain such a picture are extremely large, as we shall presently see.

Only one country in the world has ever taken an official income census which made any pretense of completeness. Under the War Census Act the Commonwealth of Australia took an official income census of incomes received during the year ended June 30, 1915, by everyone, man, woman, or child, who was "possessed of property, or in receipt of income."¹ The results of that census are summarized by G. H. Knibbs, the Commonwealth Statistician, in *The Private Wealth of Australia and its Growth. A Report of the War Census of 1915*. (See Table 29A and Charts 29A, 29B and 29C.)

Now while it would naturally be impossible to construct a complete frequency distribution for American incomes from Australian data,² we might perhaps hope to discover some characteristics of income-distribution

¹ While the first clause of the Australian "Wealth and Income Card" stated merely that it was "to be filled in by all persons aged 18 or upwards possessed of property, or holding property on trust, or in receipt of income," etc. (p. 9), "a special instruction was issued that in the case of all persons under the age of 18, possessed of property, or in receipt of income, a return must be furnished by the parent or guardian in respect of such property or income." (p. 10.) The income from such trust funds was not all, but only "in the main," allocated to individual beneficiaries. (p. 22.)

G. H. Knibbs. *The Private Wealth of Australia and its Growth. A Report of the War Census of 1915*.

² Aside from the questionableness of such a procedure, the large size of the low income intervals in the Australian distribution and the lack of information concerning the amount of negative income make that distribution a difficult one to work with. A classification by such large intervals tells very little.

TABLE 39A

AUSTRALIAN WAR CENSUS OF INCOMES
NET INCOME FOR TWELVE MONTHS ENDED JUNE 30, 1915

Income class	Males			Females			Total persons		
	Number	Amount of income (Nearest thousand pounds)	Average income ^a (Pounds)	Number	Amount of income (Nearest thousand pounds)	Average income ^a (Pounds)	Number	Amount of income (Nearest thousand pounds)	Average income ^a (Pounds)
Deficit and nil	66,460			249,476	6,717	22	315,936	10,880	24
Under £50	145,513	4,163	29	301,592	11,416	68	447,105	35,725	72
£ 50 and under £100	327,835	24,308	74	168,106	6,250	118	495,941	61,340	122
100 "	448,195	55,090	123	52,929	558	153	50,281	7,651	152
150 "	46,630	7,093	152	3,651	2,211	174	170,047	29,431	173
200 "	157,350	27,219	173	12,697	2,641	240	117,325	27,832	237
300 "	106,324	25,191	237	11,001	2,498	378	55,725	20,887	375
500 "	49,108	18,388	374	6,617	1,633	607	18,619	11,236	603
750 "	15,928	9,603	603	2,691	970	847	7,458	6,363	853
1,000 "	6,313	5,393	854	1,145	1,089	1,204	5,838	7,083	1,213
1,500 "	4,933	5,694	1,215	905	629	1,729	2,496	4,306	1,725
2,000 "	2,132	3,676	1,724	364	772	2,134	2,024	4,921	2,431
3,000 "	1,707	4,149	2,431	317	361	3,537	761	2,610	3,429
4,000 "	659	2,249	3,412	102	258	4,455	433	1,944	4,489
5,000 "	375	1,685	4,494	58	656	7,627	832	7,956	9,563
5,000 " over	746	7,300	9,786	86					
Total	1,390,208	201,503	146	811,737	38,661	48	2,191,945	240,163	110

^a The above averages are not always consistent with the other figures of the table. They have evidently not been calculated from the approximate figures given above for amount of income.

AUSTRALIAN CENSUS OF INCOMES - 1915.

CHART 29 A

NON-CUMULATIVE FREQUENCY DISTRIBUTION SCALES NATURAL

— MALES AND FEMALES
 MALES
 - - - - FEMALES

SCALE
 100,000
 PERSONS

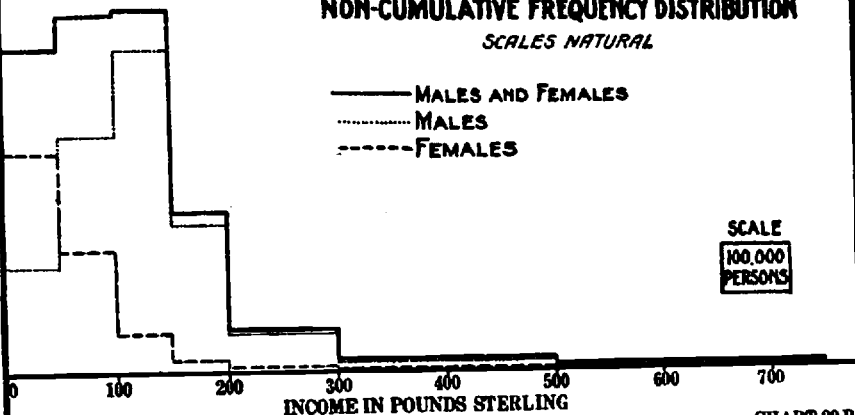


CHART 29 B

NON-CUMULATIVE FREQUENCY DISTRIBUTION SCALES LOGARITHMIC

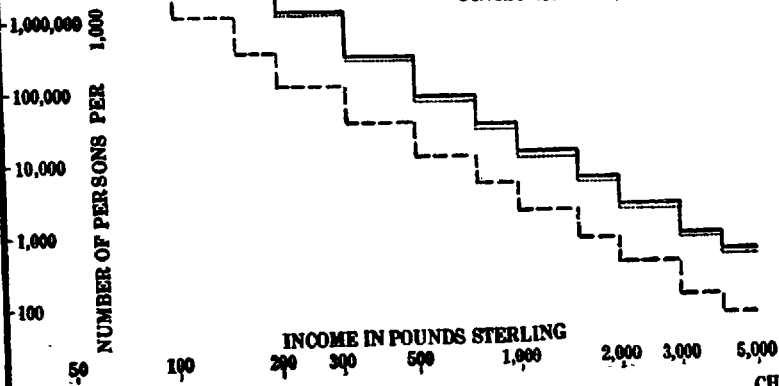
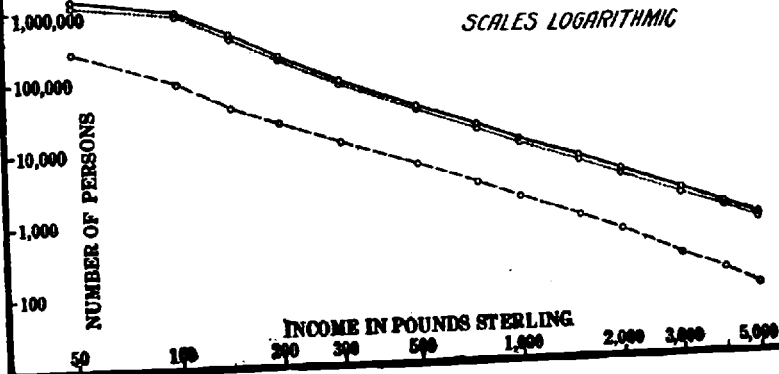


CHART 29 C

CUMULATIVE FREQUENCY DISTRIBUTION SCALES LOGARITHMIC



curves in general from this, the only actual census ever taken. A knowledge of such general characteristics might then, quite imaginably, be a little helpful in the problem of describing the American or any other income distribution.

However, when we come to examine the Australian figures, we find that they have certain pronounced peculiarities which would be extremely difficult to read into the American material. For example, the Australian distribution shows a flatness and lack of pronounced mode totally unlike the results we have built up from an analysis of American data. In the Australian distribution there are nearly the same number of persons having incomes between 0 and £50, £50 and £100, and £100 and £150.¹

What are the causes of this rather startling peculiarity of the Australian frequency curve?² In the first place let us suggest a possibly minor but by no means necessarily negligible factor. We know little about the goodness of the Australian reporting in this census. Income is, from its nature, a difficult subject to investigate. When the material is collected by means of schedules to be filled in by the informants, as was the case in the Australian census, the returns may easily be full of errors. The average individual is surprisingly ignorant concerning the amount of his total income. The further fact that the census was taken in order to estimate possibilities of future taxation may well have been a powerful incentive towards great irregularities all along the line, but especially in the lower income groups. Persons whose income brought them distinctly into the upper groups (over £156) were, at the time of the income census, about to make returns under oath for income-tax purposes and would hardly care to show a radical discrepancy between the two returns. On the other hand, many persons, whose true incomes were around £156 and the modal income, might easily have "underestimated" with the idea of evading if possible future taxation based upon a lowering of the exemption limit. The result of such practices would tend to show up graphically in a flattening of the curve in the vicinity of the mode of the distribution and a raising of the numbers in the lowest groups.³

However, poor reporting is probably only a secondary element accounting for the peculiarities of the Australian curve. It is most of all the

¹ See Table 29A and Chart 29A.

² Notwithstanding the fact that distributions for different times and for different countries probably vary greatly (see Chapter 28), the difference between the Australian curve and the Bureau's American estimate seems too radical to explain upon this basis.

³ It is difficult to determine the extent of actual non-reporting. The number of males filling out income cards was 2,527,831. All males "possessed of property, or in receipt of income" are supposed to be included in this number. It amounted, however, to only 54.60 per cent of the total male population. Males "possessed of property, or in receipt of income" necessarily constitute a larger percentage of the total male population than do male "breadwinners," yet in the Australian census of 1911 male breadwinners constituted 69.4 per cent of the total male population, and male breadwinners 20 years of age or older 58.9 per cent. Even if we assume that the number of income returns for males under 18 was negligible we still are faced with a discrepancy difficult to account for.

concentration of female returns in the lowest income groups which gives the flat and modeless appearance to the total curve. The Australian frequency distribution among males only, is much more like our estimated American distribution¹ than is the Australian distribution among males and females together. Now the concentration of female returns in the lower income intervals would seem to be the result of a large number of returns made by women and female children receiving petty incomes from property who would be classified, in the Australian Census of Population, as "dependents" and not as "breadwinners."²

Of the total female population in 1915, 33.46 per cent made out income cards and 23.18 per cent reported positive incomes (10.28 per cent reported zero or negative incomes). But according to the Australian census of 1911, only 18.6 per cent of the total female population were classified as "breadwinners." Thus the women reporting positive incomes in 1915 constituted a much larger percentage of the total female population than did female "breadwinners" in 1911 of the total female population in that year. The discrepancy seems too great to be accounted for by the increase in the number of women "breadwinners" caused by the war. More than half of the 23.18 per cent of the female population reporting positive incomes in 1915 reported incomes under £50 per annum. Moreover, the average income of this group was only £22 per annum—under the arithmetic average of the interval. This strongly suggests petty incomes from property, and part time occupations such as keeping boarders, lodgers, chickens, etc., rather than any great increase in the number of female "breadwinners." The fact that over 30 per cent of the returns made by females reported zero or negative incomes is further evidence that the large number of extremely small incomes reported was largely the result of the schedule calling for income returns from all persons "possessed of property."

Negative incomes arise in general from business or speculative losses. Bad as may be the condition of any laboring class, its members are seldom faced with negative incomes. It is unlikely that many of the 249,476 females reporting "deficit and nil" were wage-earners. They were in general the owners of small investments which showed losses, such as town lots upon which taxes had been paid.³

¹ See *Income in the United States*, Vol. I, pp. 128, 129, 132-135.

² All persons are classified as "breadwinners" or as "dependents" by the Australian census. Male "breadwinners" in Australia constituted in 1911, according to the census of that year, 69.4 per cent of the total male population, female "breadwinners" 18.6 per cent of the total female population, and total "breadwinners" 45.0 per cent of the total population. These figures compare with American census figures for 1910 showing males "gainfully employed" to constitute 63.6 per cent of total males, females "gainfully employed" 18.1 per cent of total females, and total "gainfully employed" 41.5 per cent of the total population.

³ It is worth noting that in the Australian schedule "rates and taxes paid" could be deducted before making an income return. This consideration may be of some importance in explaining the very large number of small, zero, and negative incomes.

While the frequency curve for Australian males is much more like the American distribution than the curve representing both male and female Australian income recipients, even it shows a much greater concentration in the lowest income intervals than does the American distribution. This can probably be accounted for to some extent by a large number of income returns for young male "dependents" "possessed of property."

The essential difference in appearance between the American income-distribution curve which we presented in Volume I and the Australian curve of 1915 is, then, probably traceable to (1) Australian underreporting and (2) Australian inclusion of a large number of "dependents" who received petty incomes from property and who were in no important sense "breadwinners" or "gainfully employed."

What shall we say about the desirability or undesirability of including in an income frequency distribution dependents receiving petty incomes from property? While it is true that their incomes, positive or negative, are in a way as real as any other incomes, we must remember that probably almost all individuals over six years of age not only receive but *earn* some money income during each year. Shall we then include the entire population over six years old in our distribution? As we approach this theoretical limit it is seen that the concept becomes less and less practically or even theoretically interesting. Both practically and theoretically we are interested in the incomes of persons who, though they be minors, have "economically come of age" and have entered into certain definite relations to the machinery of factorial distribution. They are "breadwinners" or "persons gainfully employed," and the concept back of such expressions, though like many economic concepts somewhat of a compromise, seems a good compromise for our purposes.

Defining income recipient as we have, we cannot use the Australian material as an aid to the graduation or adjustment of the American income-distribution curve in its lower ranges. In the upper income ranges, the Australian distribution offers, as we shall see, an interesting illustration of the same double swing (letter S) appearance of the curve seen in some of the more recent American data.¹

¹ When charted on a double log scale.