CHAPTER 3

The Seven Annual Accounting Periods

A THE CONCEPT OF THE ANNUAL ACCOUNTING PERIOD

Nearly all distributions of income by size are on a calendar year basis, and most other distributions are for some annual period.¹ Many of these studies provide data for only one year, and the data derived from continuing sources, such as income and social security taxes, are usually tabulated only for each year. The tabulations of Wisconsin income tax data for the sample of 13,000 families in Changes in Income of Identical Taxpayers, 1929-1935 are a notable exception. The aggregate tables² for the individuals in the sample of identical taxpayers for the calendar years 1929-35 in Characteristics of the Sample of Identical Taxpayers were tabulated in the usual manner, i.e., for each year separately. This Chapter is concerned with the differences between these seven independent annual distributions. So far as possible, family data are used throughout.

Income is a flow; and annual income is the volume of that flow for a year. The income of a community varies from year to year; so too does the income received by a specific individual. In treating each year separately, the individual is classified by the size of his receipts and community income is the sum of the receipts

² That is, tables in which all the income and deduction items on income tax returns are 'aggregated' by one size classification.
of all its members. However, variations in total community income need not involve changes in its relative (size) distribution.

In studying changes in size distributions from one annual period to another several sets of relations are of considerable interest. For the sample of consecutive filers, how are changes in the composition of income, the average receipt, and the distribution of specific receipts associated with changes in both the amount and the size distribution of total income? The group with which we are dealing has peculiarities that severely limit generalizations based on its behavior. But, since the last two chapters are concerned primarily with testing the validity of conclusions based upon annual distributions, we must describe these relations as they exist in the group for which we have data for longer accounting periods. The relations treated in this chapter are confined largely to the nine income items for which we have data on interrelations between years.

B  Volume of Income

Both total and net taxable income (i.e., total income minus deductions) were highest in 1929, declined each year to their lowest point in 1933, then increased in 1934 and again in 1935 (Table 8). Net statutory losses (i.e., total income minus deductions on returns on which deductions exceeded total income) increased from 1929 to 1932, then declined to their lowest point in 1935.

The behavior of the various income and deduction items varied widely (Table 8 and Chart 3). Only wages and salaries, net rents, partnership profits, all other income and, among the deduction items, donations and other losses followed the same pattern of change as total income. Business profits and capital gains were lowest in 1932. Interest and value of merchandise were highest in 1930 and lowest in 1935. Fiduciary income was lowest in 1934. Capital losses were highest in 1933, lowest in 1935. Dividends, after recovering somewhat in 1934, declined again in 1935.
### Table 8
Receipts and Deductions by Years
Sample of Identical Taxpayers, 1929-1935
(thousands of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Wages &amp; salaries</th>
<th>Interest</th>
<th>Dividends</th>
<th>Business profits</th>
<th>Net rents</th>
<th>Capital gains</th>
<th>Royalties, copyrights &amp; patents</th>
<th>Partnership profits</th>
<th>Fiduciary income</th>
<th>Value of merchandise</th>
<th>All other income</th>
<th>Rent Losses</th>
<th>Other Negative Income</th>
<th>Total Income</th>
<th>Capital losses</th>
<th>Income taxes paid</th>
<th>Interest paid</th>
<th>Donations</th>
<th>Dividends deductible</th>
<th>Business losses</th>
<th>Partnership losses</th>
<th>Other losses</th>
<th>Net Taxable Income</th>
<th>Net Statutory Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>22,929</td>
<td>2,066</td>
<td>3,110</td>
<td>4,516</td>
<td>1,024</td>
<td>1,994</td>
<td>15</td>
<td>1,077</td>
<td>223</td>
<td>198</td>
<td>377</td>
<td>22</td>
<td>15</td>
<td>37,850</td>
<td>1,919</td>
<td>634</td>
<td>1,613</td>
<td>477</td>
<td>1,978</td>
<td>208</td>
<td>60</td>
<td>807</td>
<td>90,770</td>
<td>621</td>
</tr>
<tr>
<td>1930</td>
<td>21,790</td>
<td>2,650</td>
<td>2,672</td>
<td>3,640</td>
<td>1,050</td>
<td>1,197</td>
<td>8</td>
<td>853</td>
<td>179</td>
<td>204</td>
<td>410</td>
<td>39</td>
<td>8</td>
<td>34,577</td>
<td>2,039</td>
<td>578</td>
<td>1,627</td>
<td>414</td>
<td>1,514</td>
<td>385</td>
<td>74</td>
<td>792</td>
<td>27,986</td>
<td>899</td>
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<tr>
<td>1931</td>
<td>19,173</td>
<td>2,431</td>
<td>1,883</td>
<td>2,783</td>
<td>904</td>
<td>275</td>
<td>2</td>
<td>597</td>
<td>160</td>
<td>194</td>
<td>297</td>
<td>42</td>
<td>2</td>
<td>28,660</td>
<td>1,794</td>
<td>400</td>
<td>1,550</td>
<td>391</td>
<td>939</td>
<td>561</td>
<td>74</td>
<td>721</td>
<td>23,247</td>
<td>1,037</td>
</tr>
<tr>
<td>1932</td>
<td>15,469</td>
<td>2,014</td>
<td>1,208</td>
<td>1,954</td>
<td>668</td>
<td>203</td>
<td>53</td>
<td>440</td>
<td>108</td>
<td>189</td>
<td>275</td>
<td>74</td>
<td>53</td>
<td>22,469</td>
<td>1,221</td>
<td>492</td>
<td>1,291</td>
<td>306</td>
<td>939</td>
<td>634</td>
<td>91</td>
<td>911</td>
<td>17,923</td>
<td>1,664</td>
</tr>
<tr>
<td>1933</td>
<td>14,151</td>
<td>1,622</td>
<td>997</td>
<td>2,190</td>
<td>603</td>
<td>345</td>
<td>30</td>
<td>439</td>
<td>98</td>
<td>189</td>
<td>267</td>
<td>74</td>
<td>53</td>
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<td>2,089</td>
<td>492</td>
<td>1,064</td>
<td>264</td>
<td>488</td>
<td>634</td>
<td>113</td>
<td>113</td>
<td>16,919</td>
<td>1,978</td>
</tr>
<tr>
<td>1934</td>
<td>15,843</td>
<td>1,582</td>
<td>1,597</td>
<td>2,580</td>
<td>575</td>
<td>497</td>
<td>63</td>
<td>514</td>
<td>93</td>
<td>181</td>
<td>284</td>
<td>74</td>
<td>53</td>
<td>23,539</td>
<td>2,201</td>
<td>350</td>
<td>1,549</td>
<td>285</td>
<td>425</td>
<td>442</td>
<td>100</td>
<td>100</td>
<td>19,784</td>
<td>1,722</td>
</tr>
<tr>
<td>1935</td>
<td>17,161</td>
<td>1,534</td>
<td>1,538</td>
<td>2,883</td>
<td>585</td>
<td>774</td>
<td>53</td>
<td>596</td>
<td>93</td>
<td>176</td>
<td>315</td>
<td>90</td>
<td>53</td>
<td>25,452</td>
<td>2,211</td>
<td>350</td>
<td>1,178</td>
<td>285</td>
<td>535</td>
<td>401</td>
<td>53</td>
<td>53</td>
<td>21,551</td>
<td>563</td>
</tr>
</tbody>
</table>

*Less than $500.

*Gross of $106,000 negative total income.

### Table 9
Number of Families Reporting Selected Receipts by Year
Sample of Identical Taxpayers, 1929-1935

<table>
<thead>
<tr>
<th>Year</th>
<th>Wages &amp; salaries</th>
<th>Interest</th>
<th>Dividends</th>
<th>Business profits</th>
<th>Net rents</th>
<th>Capital gains</th>
<th>Royalties, copyrights &amp; patents</th>
<th>Partnership profits</th>
<th>Fiduciary income</th>
<th>Value of merchandise</th>
<th>All other income</th>
<th>Rent Losses</th>
<th>Other Negative Income</th>
<th>Total Income</th>
<th>Capital losses</th>
<th>Income taxes paid</th>
<th>Interest paid</th>
<th>Donations</th>
<th>Dividends deductible</th>
<th>Business losses</th>
<th>Partnership losses</th>
<th>Other losses</th>
<th>Net Taxable Income</th>
<th>Net Statutory Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>10,868</td>
<td>10,814</td>
<td>3,389</td>
<td>2,727</td>
<td>1,970</td>
<td>1,920</td>
<td>624</td>
<td>435</td>
<td>418</td>
<td>1,870</td>
<td>1,980</td>
<td>418</td>
<td>643</td>
<td>10,840</td>
<td>10,459</td>
<td>2,805</td>
<td>3,442</td>
<td>2,917</td>
<td>2,728</td>
<td>1,878</td>
<td>1,928</td>
<td>418</td>
<td>10,488</td>
<td>19,784</td>
</tr>
<tr>
<td>1930</td>
<td>10,814</td>
<td>10,687</td>
<td>3,461</td>
<td>2,917</td>
<td>1,870</td>
<td>1,980</td>
<td>418</td>
<td>435</td>
<td>318</td>
<td>1,870</td>
<td>1,980</td>
<td>318</td>
<td>643</td>
<td>10,488</td>
<td>10,459</td>
<td>2,805</td>
<td>3,442</td>
<td>2,917</td>
<td>2,728</td>
<td>1,878</td>
<td>1,928</td>
<td>318</td>
<td>19,784</td>
<td>19,784</td>
</tr>
<tr>
<td>1931</td>
<td>10,531</td>
<td>10,467</td>
<td>3,442</td>
<td>2,950</td>
<td>1,787</td>
<td>1,928</td>
<td>318</td>
<td>435</td>
<td>318</td>
<td>1,870</td>
<td>1,980</td>
<td>318</td>
<td>643</td>
<td>10,488</td>
<td>10,459</td>
<td>2,805</td>
<td>3,442</td>
<td>2,917</td>
<td>2,728</td>
<td>1,878</td>
<td>1,928</td>
<td>318</td>
<td>19,784</td>
<td>19,784</td>
</tr>
<tr>
<td>1932</td>
<td>10,459</td>
<td>10,351</td>
<td>3,070</td>
<td>2,728</td>
<td>1,650</td>
<td>1,842</td>
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<td>538</td>
<td>318</td>
<td>1,870</td>
<td>1,980</td>
<td>318</td>
<td>643</td>
<td>10,488</td>
<td>10,459</td>
<td>2,805</td>
<td>3,442</td>
<td>2,917</td>
<td>2,728</td>
<td>1,878</td>
<td>1,928</td>
<td>318</td>
<td>19,784</td>
<td>19,784</td>
</tr>
<tr>
<td>1933</td>
<td>10,488</td>
<td>10,120</td>
<td>2,805</td>
<td>2,462</td>
<td>1,904</td>
<td>1,770</td>
<td>282</td>
<td>531</td>
<td>318</td>
<td>1,870</td>
<td>1,980</td>
<td>318</td>
<td>643</td>
<td>10,488</td>
<td>10,459</td>
<td>2,805</td>
<td>3,442</td>
<td>2,917</td>
<td>2,728</td>
<td>1,878</td>
<td>1,928</td>
<td>318</td>
<td>19,784</td>
<td>19,784</td>
</tr>
<tr>
<td>1934</td>
<td>10,434</td>
<td>10,092</td>
<td>2,816</td>
<td>2,462</td>
<td>2,011</td>
<td>1,883</td>
<td>563</td>
<td>576</td>
<td>318</td>
<td>1,870</td>
<td>1,980</td>
<td>318</td>
<td>643</td>
<td>10,488</td>
<td>10,459</td>
<td>2,805</td>
<td>3,442</td>
<td>2,917</td>
<td>2,728</td>
<td>1,878</td>
<td>1,928</td>
<td>318</td>
<td>19,784</td>
<td>19,784</td>
</tr>
</tbody>
</table>

**C Average Receipts**

Although the same number of families are included each year, changes in specific receipts do not reflect changes in the number of families reporting the receipt each year. Fewer families reported wages and salaries, and more reported income from business and rents at the end than at the beginning of the
Selected Receipts, by Type, as Percentage of 1929 Receipts
Sample of Identical Taxpayers, 1929—1935

Period. Business profits and capital gains were reported by the fewest families in 1932; interest, dividends, and net rents, by the fewest in 1933. As noted above, the average number of receipts per return decreased from 1.79 in 1929 to 1.63 in 1934 and 1.65 in 1935. The average size of a receipt is determined by both the aggregate of the receipt and the number of recipients. The pattern of changes in average receipts, shown for selected items in

3 Table 6 is based on returns rather than on families.
Chart 4, differs substantially from the pattern of changes in their totals.

Since net taxable income is reported on 95.3-99.1 percent of all returns, differences between changes in the total and the average size are smallest for it.\(^4\) And since wage recipients were fewer to-

\(^4\) Net statutory losses are reported by persons not reporting net taxable income. Since these percentages are based on individual data, they are low to the extent that income of, e.g., a husband, offsets a loss by his wife. The averages in Chart 4 are based on family data.
ward the end of the period, the average wage rose more after 1933 than total wages. On the other hand, the increase in the number of recipients of business profits and net rents 1933-35 means that the averages for these receipts did not increase as much after 1933 as their totals. Capital gains and business profits were lowest in 1932, although the former was lowest on the average in 1931 and the latter in 1933. The patterns for dividends, interest, and net rents show the same series of changes in both Charts 3 and 4, but the changes in average receipts are smaller, indicating that variations in their totals were paralleled by variations in the number of recipients.

D Composition of Income

Wages and salaries and interest increased as percentages of total income from 1929 to 1932, but declined relatively from 1932 to 1935 (Chart 5). Capital gains and business profits behaved in exactly the opposite manner. Dividends, as a percentage of total income, varied directly with total dividends, that is, it declined from 1929 to 1933, was somewhat higher in 1934, but declined again in 1935.

E Distribution of Net Taxable Income

In comparing the distributions of net taxable income for each of the seven years the Lorenz curve is used. While it is merely one of many measures of equality and does not cover all aspects of the income distribution it is believed to be sufficiently comprehensive for the present comparison. Its ease of manipulation far outweighs its shortcomings. Use of the Lorenz curve made the use of

Chart 5
Selected Items as Percentages of Total Income
Sample of Identical Taxpayers
1929 - 1935

Capital Gains

Business Profits

Dividends

Interest

Percentage of total income

Wages and Salaries

1929 1930 1931 1932 1933 1934 1935

10

5

0

10

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0

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individual rather than family data advisable.\textsuperscript{6} Tables based upon individual data provide not only information by much smaller class intervals, but also our only evidence concerning the size of the group reporting net statutory losses, i.e., negative net taxable income.

In each of the six panels in Chart 6 the Lorenz curves for a pair of consecutive years are presented. Most of the changes in the positions of the Lorenz curves are small, but except for two pairs of years, 1932-33 and 1934-35, their shapes differ enough so that they cross. This means that while one part of one member of a pair of curves lies nearer the line of equal distribution than the corresponding part of the other member, the reverse relation holds between the other parts of the curves.

As net taxable income decreased after 1929, the Lorenz curves for 1930, 1931, and 1932 each moved away from the line of equal distribution at the lower income levels. However, the Lorenz curve for each year crossed the Lorenz curve for the preceding one, the points of intersection ranging from 71 to 95 percent of the recipients. To the left of the intersections, the curve for the earlier of the two years is nearer the line of equal distribution; to the right of the intersections, the later year. Consequently as average income decreased, the lower end of the distribution deviated more, and the upper end deviated less from the average of the entire distribution than in the preceding year. These variations became more pronounced as the depression deepened.

Although net taxable income continued to decrease from 1932 to 1933, the 1933 curve is nearer the line of equal distribution.

\textsuperscript{6} Throughout the remainder of this Chapter family data from \textit{Changes in Income of Identical Taxpayers, 1929-1935} were used to adjust the individual returns data in \textit{Characteristics of the Sample of Identical Taxpayers} to a family unit basis. Several tests were made to determine the differences in Lorenz curves constructed from the two sets of data. The differences between the two sets of Lorenz curves are most marked at the upper end of the distribution where wide class intervals make the shape of the curve indeterminable, and at the lower end where families with negative incomes were included in the group 'Under $500'. These differences, almost negligible for 1929 and 1930, tend to be larger for the later years, when the filing of separate returns became compulsory. The relative positions of Lorenz curves for any two years based on family data are, however, much the same as those of the corresponding curves based on individual data; i.e., year to year comparisons are little affected by the transition.
Chart 6
Net Taxable Income
Sample of Identical Taxpayers, 1929–1935

Panel A: 1929–30
Panel B: 1930–31
Panel C: 1931–32
Panel D: 1932–33
Panel E: 1933–34
Panel F: 1934–35
ACCOUNTING PERIOD AND INCOME DISTRIBUTION

than the 1932 curve throughout the range. This shift toward greater equality was continued as net taxable income increased after 1933. Although the 1933 and 1934 Lorenz curves cross, the lower 82 percent of 1934 income recipients are nearer the line of equal distribution, and the 1935 curve is nearer the line of equal distribution than the 1934 curve at all points.

As a result of these year to year changes, the 1935 distribution for the upper 23 percent of returns was closer to the line of equal distribution than either the 1929 or 1930 curve, but the contrary was true of the lower 77 percent. The 1935 and 1931 curves are approximately the same throughout the distribution.

These shifts in the position and shape of the curves were greatly affected by changes in the percentage of persons reporting net statutory losses. In constructing the Lorenz curves, persons reporting net statutory losses were treated as having $0 (and 0 percent) net taxable income. Consequently, the larger the percentage of persons reporting losses the further to the right along the base (0 percent of income) line will the curve originate. The character of the curves in Chart 6 suggests that the point of origin has considerable influence upon the position of the entire lower end of the curve. As the percentage of individuals reporting losses rose from 0.9 in 1929 to 4.7 in 1932, the lower ends of the curves moved away from the line of equal distribution. This trend was reversed after 1932 when the percentage of individuals reporting losses decreased to 3.3 in 1933, to 2.3 in 1934, and to 2.2 in 1935. Although net taxable income continued to decline until 1933, the trend toward more returns reporting net statutory losses was reversed; this coincides with the reversal of the trend toward greater concentration. Although the size of the net statutory loss group strongly affects the position of the lower end of the Lorenz curve, it does not completely determine the relative position of the curves for the two years. Lorenz curves computed on the basis of positive incomes alone show the same pattern of differences as those which include the net statutory loss groups. The effects of including only realized capital gains and losses in net taxable income cannot be determined.

The direction of the shift in the position of the lower parts of
the Lorenz curves continued throughout the curves in only two of the six pairs of years compared. While the lower incomes tended to deviate more from the mean, i.e., tended to shift away from the mean, the incomes of 5-29 percent of the persons at the top of the distribution shifted to positions relatively closer to the mean. In other words, the largest incomes decreased, from 1929 to 1932, more than the volume of income, thereby becoming a smaller percentage. Larger incomes increased even more than the volume of income from 1933 to 1934. For the pairs of curves that do not cross, 1932-33 and 1934-35, segments of the distribution may display characteristics different from those of the curves as wholes. For example, the incomes of persons in the seventh decile (60-70 percent of the individuals cumulated from the lowest) of the 1935 distribution may deviate relatively less from the mean than the incomes of persons in the seventh decile of the 1934 distribution. Such a situation would be reflected by the slopes of the curves for the relevant segments. Except when the slopes were so different that the curves crossed, no effort was made to establish the existence of and locate such areas.

The differences in the behavior of the two ends of the distribution as income changes suggest that the behavior of Lorenz curves based on data for all recipients might differ substantially from those based on a sample of consecutive filers, since the incomes of the latter tend to be greater.

F Distributions by Economic Income

Because the amounts of economic income received are not available, the distributions of families by income level for each year 1929-35 are presented, in Chart 7, as ogives on a semi-logarithmic scale. The curves are not plotted below $500, the lowest point for

7 The latter interpretation of Lorenz curves is strictly accurate only when each curve covers the same number of returns. Small differences in the present data, while not vitiating this interpretation, make it impossible, from the smoothed curves used in the analysis, to ascertain with precision the exact area covered by 'larger' incomes. Moreover, the larger incomes of one year may be independent of the larger incomes of the next year, i.e., they may not be received by the same families.
which we have reliable data, or above $10,000, where the curves become indistinguishable. Family unit rather than individual data were used.\(^8\)

\(^8\) Although the distances between curves are altered, the relative position of curves based on individual return data are much the same. When the positions of the seven curves for family units and individual returns are ranked at each income level for which we have comparable data the ranks coincide in 82 of the 84 cases. At the $8,000 level the 1932 and 1935 individual curves are equal, whereas the 1932 family unit curve is definitely above the corresponding 1935 curve at this level. At the $10,000 level the 1932 and 1934 family unit curves are equal, while the 1932 individual returns curve is above the comparable one for 1934.

At the medians, i.e., read at the point where the curve intersects the horizontal line representing 50 percent of the families, each curve would have the same rank, by income size, as it would have were the ranking made by average total income. With the exception of the 1932 curve, the medians describe the relative position of the year's income adequately since the curves are distinct throughout the entire range. The 1932 curve, however, crosses
the 1933 curve at about $575 and the 1934 curve at about $2,000, coinciding with the latter in the $8,000-15,000 range.

Although income decreased markedly after 1929, the 1929-32 curves had much the same shape, indicating that there was an approximately proportional shift to lower economic income levels throughout the entire range of incomes. But the spread between the curves, especially marked at the lower end of the distribution, widened from year to year. Although income continued to decrease in 1933, the 1933 curve ogive for economic income is more nearly the shape of the 1934-35 curves than of the 1929-32. The segments of the 1933-35 curves in the $500-2,000 range are much steeper than the corresponding segments for 1929-32. In absolute terms, fewer persons had incomes below $500 and above $2,000 with the increase in income after 1933 than during a corresponding period of 1929-32 when the volume of income was the same.9

Although the distributions by economic income and by net taxable income were computed differently, they behave similarly. Especially striking is the closer association of 1933, the year when income was lowest, with the period of rising income, 1934-35, than with the period of decreasing income, 1929-33.

G Distribution of Receipts by Size

With the exception of capital gains and dividends, the relative positions of the Lorenz curves for the various income items, with respect to the line of equal distribution, are the same in each year as in 1929, when the order of receipts, arrayed from the one nearest to the one furthest from the line of equal distribution, was: wages and salaries, net taxable income, business profits, net

9 Of the whole series of possible annual distributions for 1929-32, only four, representing the calendar years, are shown. Had an annual period in which the volume of income was the average of the volumes for 1931 and 1932 been selected instead of the calendar years 1931-32, the ogive of its distribution would presumably lie halfway between the 1931 and 1932 ogives. The similar shapes of curves for the calendar years 1929-32 and their direct variation with the volume of income seem to support this assumption. We have no evidence, however, to support the assumption that distributions for fiscal years do not differ markedly from distributions for calendar years.
Nevertheless, there are marked year to year shifts in the distribution of each receipt. The top panel of Table 10, covering

---

Table 10

Equality of Distribution of Selected Receipts Ranked by Years
Sample of Identical Taxpayers, 1929-1935

<table>
<thead>
<tr>
<th>WAGES &amp; NET</th>
<th>TAXABLE BUSINESS</th>
<th>NET</th>
<th>INTEREST</th>
<th>CAPITAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALARIES</td>
<td>TAXABLE INCOME</td>
<td>PROFITS</td>
<td>RENTS</td>
<td>GAINS</td>
</tr>
</tbody>
</table>

**Seven Years, 1929-1935**

<table>
<thead>
<tr>
<th>Year</th>
<th>WAGES</th>
<th>SALARIES</th>
<th>PROFITS</th>
<th>RENTS</th>
<th>INTEREST</th>
<th>CAPITAL</th>
<th>DIVIDENDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>2</td>
<td>2</td>
<td>3.5</td>
<td>7</td>
<td>6</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>1931</td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1932</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1933</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1934</td>
<td>5</td>
<td>5</td>
<td>8.5</td>
<td>4</td>
<td>2.5</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>1935</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>2.5</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

**Four Years, 1929-1932**

<table>
<thead>
<tr>
<th>Year</th>
<th>WAGES</th>
<th>SALARIES</th>
<th>PROFITS</th>
<th>RENTS</th>
<th>INTEREST</th>
<th>CAPITAL</th>
<th>DIVIDENDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>1931</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1932</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

**Four Years, 1932-1935**

<table>
<thead>
<tr>
<th>Year</th>
<th>WAGES</th>
<th>SALARIES</th>
<th>PROFITS</th>
<th>RENTS</th>
<th>INTEREST</th>
<th>CAPITAL</th>
<th>DIVIDENDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1933</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1934</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2.5</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>1935</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2.5</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

The lower the rank the nearer to the line of equal distribution is the Lorenz curve along the Rich-Poor intersector, i.e., a line bisecting and perpendicular to the line of equal distribution.

Nevertheless, there are marked year to year shifts in the distribution of each receipt. The top panel of Table 10, covering

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10 Equality is here measured at the Rich-Poor intersector (see Ch. 2, note 6), the only practicable measure. The lack of information on the distribution of receipts of less than $500 made it inadvisable to extend the curves for net rents, interest, dividends, and capital gains below the first point plotted. Business losses and losses from rental property are ignored in these distributions.
Lorenz Curves for the Distribution of Selected Family Receipts by Their Own Size
Sample of Identical Taxpayers, 1929–1935

Panel A: 1929

Panel B: 1930

Panel C: 1931

Panel D: 1932

Panel E: 1933

- Wages and salaries
- Net taxable income
- Business profits
- Net rents
- Interest
- Capital gains
- Dividends
the seven years 1929-35, does not clearly reveal the relation between the distribution and the characteristics previously studied, such as the volume of income or average receipt. Since the seven years include periods of both decreasing and increasing income, these divergent trends could easily hide such relations, unless they were both direct and almost perfect. To reveal them, panels covering the two four-year periods, 1929-32 and 1932-35, each including 1932 and selected on the basis of the behavior of the Lorenz curves for net taxable income, are included in Table 10.

The distribution of wages and salaries and business profits, like that of net taxable income, became less equally distributed during 1929-32, then more equally distributed during 1932-35. Business profits, however, were less equally distributed in 1931 than in 1933. Interest and dividends tended to become more equally distributed as income decreased, but only dividends tended to become less equally distributed as income increased, while interest continued to become more equally distributed through 1933, and the shift in the opposite direction after 1933 was neither large nor definite. The patterns for capital gains and net rents are similar to that for dividends and interest, but not so pronounced. The wide variety of circumstances from which capital gains, as reported on income tax returns, arise may partly account for their erratic behavior. Data on net rents became less and less adequate toward the end of the period, i.e., a larger and larger portion of receipts were in the 'Under $500' group, giving
no hint of the shape of an increasingly large portion of the curve.

The pattern of changes in distribution with respect to the volume of income seems to be associated with the equality of the distribution. Items that lie closer to the line of equal distribution, wages and salaries and business profits, became less equally distributed as income decreased. Conversely, dividends and interest, which became more equally distributed during a period of decreasing income, have Lorenz curves that depart widely from the line of equal distribution. The fact that net rents follow neither pattern may reflect this relation, since their Lorenz curve is approximately midway between business profits and interest. Capital gains, however, while showing a marked lack of equality year after year, do not follow this pattern.

This divergent behavior of the various component receipts offers one clue to why the Lorenz curves of a measure of composite income, such as net taxable income, for two successive years may cross. At the lower end of the distribution, wages and salaries are a predominant part of net taxable income, while interest and dividends become of increasing importance as we ascend the income scale. When a single distribution is made of the total incomes of the various members of the community, it may be expected that as income decreases the lower end of the distribution, heavily weighted as it is by wages and salaries, will tend to move away from, while the upper end, consisting largely of property incomes, will move closer to the line of equal distribution.