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CHAPTER 31

INCOME DISTRIBUTIONS FROM OTHER SOURCES THAN INCOME TAX RETURNS

Concerning the frequency distribution of incomes over $3,000 or $4,000 per annum we have almost no information aside from the income tax returns. Existing wage distributions and non-tax income distributions almost never reach higher than $2,500 or $3,000 per annum.

Even in the lower income ranges (under say $2,500 or $3,000) most of the existing non-tax income distributions are of little use in our problem. In the first place there are less than half a dozen distributions of this sort which are not such small samples as to prevent us feeling much confidence in their representative nature.[1] An even more serious defect of every such distribution known to us, with one exception[2] is that the purpose for which the data have been collected almost inevitably makes them extremely ill-adapted to our use. For example, one of the largest recent samples is prefaced by almost a page of introduction explaining what types of recipients were purposely excluded.[3] This is rather typical. To base upon such distributions any wide generalizations with respect to the income curve for the country as a whole or even for the localities from which such data were collected would be unwarranted.

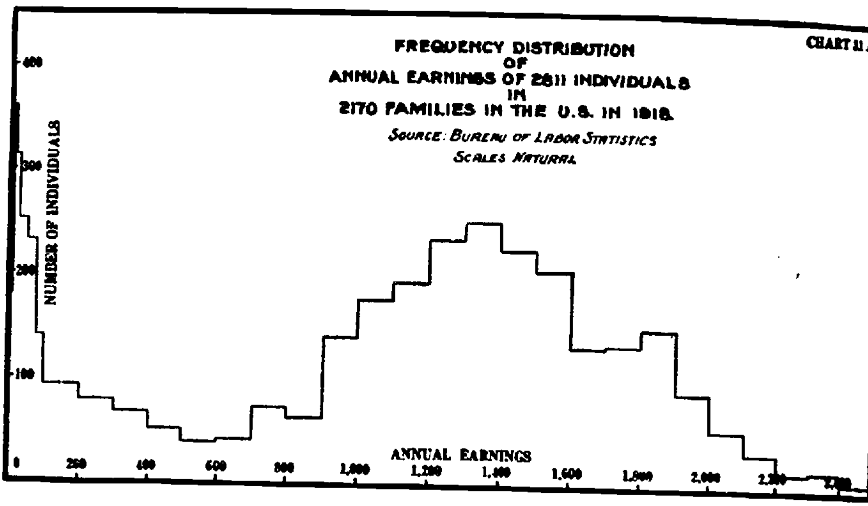
Furthermore, almost without exception these studies in *income* distribution are on a *family* basis. While it is sometimes possible to make a

[1] For example, Chapin's well-known investigation into the distribution of incomes includes only 391 workingmen's families. and the best distribution of farmers' incomes includes only 401 farmers from a single state.

[2] Arthur T. Emery's distribution of income among 1960 Chicago households.

[3] "In studying the sources of income and the importance of each source with relation to the total income of a family the following limitations to the type of family schedules should be kept in mind. No families were scheduled in which there were children who lived as boarders. that is, paid a certain sum per week or per month for board and spent the remainder of their earnings or salary as they saw fit. No families were scheduled which kept any boarders. The number of lodgers to be kept by a family was limited to three at any one time. No families were scheduled in which the total earnings of the family did not equal 75 per cent. or more of the total income. It will be seen that these limitations excluded a large number of families and this materially affects the percentage of families having earnings from children and income from lodgers. and also results in showing a larger percentage of the total income as coming from the earnings of the husband than would be the case if the type of families named had not been excluded from the study. It also reduces the actual amount per family earned by children and received from boarders or lodgers that would be shown in case a cross section of a community including all the types mentioned were used. The object in making the exclusions named was to secure families dependent for support. as largely as possible. upon the earnings of the husband. Of course, it was impracticable to secure a sufficient number of families in which the only source of income was the earnings of the husband. but in following the course named the percentage of families having an income from other sources has been very largely reduced." "Cost of Living in the United States—Family Incomes," *Monthly Labor Review*, Dec., 1919, p. 30.

rough estimate of the individual incomes from the family data, such estimates are not what are needed for our purposes. They can show nothing but the distribution of income among the individuals constituting these families and these families are almost inevitably so chosen as to make the individuals composing them not representative of income recipients at large. Analysis of the distribution of earnings among the individual members of such families discloses an heterogeneity so extreme as to result in a pronouncedly duomodal distribution curve. The fathers' incomes have one mode while the children's incomes have another. Chart 31A showing a natural scale frequency distribution of earnings among 2811 individuals in 2170 families in 1918 [1] exhibits this duomodal appearance in a striking manner. The "families" had been so chosen as to exclude both young



married couples having no children and unmarried but independent wage earners. Investigations planned to bring out the economic characteristics of such "typical families," while they may be extremely valuable for the purposes for which they were undertaken, are necessarily of but little use in the construction of a frequency distribution of all individual incomes in the community. Moreover, even if we were attempting to construct a family and not an individual distribution these data would not generally be particularly helpful for, in addition to the exclusions just mentioned, further narrow and rigid restrictions are usually, and for the purposes in view quite properly, imposed upon the definition of the "typical family."

[1] This is a sample from the 12,096 white families referred to in note 3, page 415. The detailed figures of this sample were tabulated for us by the Bureau of Labor Statistics. They cover 15 cities chosen as representative of the whole list. Each one of the 15 cities shows the duomodal appearance referred to in the text.

As incidentally remarked above, there is one non-tax income frequency distribution to which many of the above criticisms do not apply. It is the distribution of income among 1960 Chicago "households" in 1918 from an investigation made by Mr. Arthur T. Emery for the Chicago *Daily News*.[1] Instead of attempting to describe a "typical family" Mr. Emery attempted to discover the "household" income of each person whose name came at the top of a page in the Chicago city directory. Mr. Emery encountered many difficulties in attempting to follow out this scheme and has himself pointed out sources of error.[2] Notwithstanding the inevitable difficulties, Mr. Emery seems to have made a real effort to obtain a scientific sample. While his distribution shows unmistakable irregularities, it is in many respects for our purposes the most interesting and suggestive recent non-tax income distribution available.

Finally, it seems impossible to obtain from these distributions any but extremely general conclusions concerning the relation between income from effort and income from property. The data have almost always[3] been so chosen as to eliminate any families obtaining an appreciable fraction of their income from property. While they may give us some clues as to the shape of the upper range tail of the wage-earners' income distribution curve [4] they can tell us little about even the upper tail of the *general* income curve and almost nothing about the lower income tail of either the wage-earners' or the general income curve.

[1] While the Bureau is not at liberty to publish this material we were permitted to make what use we could of it in constructing our income curve for the country.

[2] In a letter to the Bureau he writes. "There was. however. one important source of error in this method—the poorer and middle class residents were willing to talk. and with the carefully trained approach of the investigator. the upper class was also won over. but we found in the wealthy districts that the butler and 'not at home' caused a large amount of travel on the part of the investigator." and often a final failure to obtain any report.

[3] These remarks do not apply to the distribution of income among the 401 farmers or Mr. Emery's distribution. However. the Bureau has no figures, in the case of Mr. Emery's distribution. for income from property.

[4] Compare pages 378, 379, 380.