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Structure, 1919—1938

1 Total and Per Capita

During the two decades 1919-38, national income averaged $66.7 billion per year; somewhat more, $70.5 billion, when expressed in 1929 prices (Table 1). There is a distinct possibility that this total, built up industry by industry from income payments and undistributed net profits of enterprises, is 3 to 5 percent smaller than one derived by other methods.

These figures have little meaning in and of themselves. In recent decades we have learned to associate a specific level of national income in this country with the state of the economy, so that a total of $80 billion in the 1920's and 1930's means relative prosperity and one of $50 billion, acute depression. But even such an interpretation needs to be supplemented with a great deal of other information, if an average level of $70.5 billion in 1929 prices is to have any meaning.

On a per capita basis—of total population, of the gainfully occupied, or of the employed—or in units more akin to us as members of the social system, families and single individuals—the estimates can be grasped better. In 1919-38 national income per capita averaged nearly $600 in 1929 prices; and income distributed, which was almost the same as income produced, averaged somewhat over $2,000 per family (of about 4 members) and nearly $1,500 per single individual per year (Table 1). However, an income of $2,000 in 1929 prices means one thing to a farm family accustomed to a low economic status, and another to an urban family in the upper income brackets. A single national income total, or any measure per population unit derived from it, takes on meaning only when compared with levels characterizing other times or other areas (whether broader or narrower).

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TABLE 1

National Income and Aggregate Payments, Current and 1929 Prices
Averages for 1919-1938

		CURRENT PRICES	1929 PRICES
National Income		(1)	(2)
1 Total ($ billions)		66.7	70.5
2 Per capita ($)		563	591
3 Per gainfully occupied ($)		1,386	1,451
4 Per employed ($)		1,635	1,732
Aggregate Payments incl. Entrepreneurial Savings			
5 Total ($ billions)		66.5	70.7
6 Per capita ($)		560	591
7 Per family type unit			
a Families of 2 or more, per family ($)		1,928	2,050
b Single individuals, per capita ($)		1,378	1,466
c Members of institutional population, per capita ($)		418	445

LINE

1-6 Based on estimates in *National Income and Its Composition* (National Bureau
of Economic Research, 1941), particularly Vol. One, Tables 1, 5, and 8. Minor
revisions were made in the population series and in the adjustment of the
income totals to 1929 prices. Other minor revisions could have been made in
the estimates of the gainfully occupied and of the employed, yielding slightly
higher averages in lines 3 and 4. But they were not deemed sufficiently im-
portant for the purpose at hand.

In this table, and throughout this report, 'employed' includes employed
wage earners and salaried workers (with those employed part-time converted,
wherever possible, to full-time equivalent units) and all entrepreneurs, without
any allowance for their unemployment or part-time engagement.

7 Based upon the proportional division of total population and aggregate income
for 1935-36 between families, single individuals, and the institutional population
in *Consumer Incomes in the United States* (National Resources Committee,
Washington, D. C., 1938), Table 1, p. 4. The proportions were applied to the
average population and average aggregate payments for 1919-38. The average
number of families (3.9444 persons per family) was estimated to be 27.426
million; of single individuals, 9.313 million; of members of the institutional
population, 1.910 million.

Such comparisons cannot be made in detail here. All we can
say is that national income per capita, per gainfully occupied,
per employed, or per consuming unit in the United States, with
allowances for differences in purchasing power of the monetary
units, was not only one of the highest in the world, indeed
the highest among the major countries,[1] but also the highest

[1] For evidence, see Colin Clark, *Conditions of Economic Progress* (Macmillan, 1940),
particularly Chapter II. For many countries Mr. Clark's estimates are obviously
subject to a wide margin of error, some of which can already be corrected. But the
rough nature of the estimates does not affect the conclusion that, judged by its
national income per capita in the 1920's and the 1930's, the United States was at

in the history of this country before this war, although the two decades include the severest cyclical depression on record (Table 10).

How was this high per capita income produced and used? The answer will perhaps be typical of other industrially advanced, large countries that are also in the upper part of the pyramid of the distribution of world income by the size of the country's per capita.

2 *Distribution by Industrial Origin*

The industrial classification in Table 2 is not the most detailed available for the period: many more industrial branches are distinguished in *National Income and Its Composition* (National Bureau of Economic Research, 1941; see particularly Ch. 5, pp. 161-214). But the chief lines of the industrial structure of national income stand out.

First, the share of the commodity producing industries, 38 percent, is smaller than that of the service industries—governmental, professional, personal, etc.—which is 42 percent; commodity transporting and distributing account for 20 percent. Such a primary industry as agriculture accounts for less than one-tenth. The distribution of the part of national income that goes as compensation to employees and entrepreneurs, i.e., largely as return for personal effort, is quite similar to that of national income; a somewhat larger share goes to commodity production and to commodity transportation and distribution and a somewhat smaller to the service industries.

The industrial structure of the working force is quite different. Almost a half is engaged in commodity producing industries, just over one-fifth in agriculture, and less than a third in the service industries.

These contrasts indicate big differences among industries in income per member of the working population (Table 2, col.

the top of the pyramid, the wide base of which was made up of the huge populous countries of Asia and Africa (British India, China, and the like) whose national income per capita was not more, and perhaps less, than one-tenth that of this country.

TABLE 2

National Income, Service Income (both in Current Prices),
and Aggregate Employment, Percentage Distribution by Industry
(based on averages of percentages for 1919-38)

	PERCENTAGE SHARES IN			RATIO OF INCOME PER WORKER IN INDUSTRY TO INCOME PER WORKER IN COUNTRY	
	National Income	Service Income	Aggregate Employment	Service Income (2) ÷ (3)	Total Income (1) ÷ (3)
	(1)	(2)	(3)	(4)	(5)
PART A BY MAJOR INDUSTRIAL DIVISIONS					
1 Agriculture	9.5	10.9	20.6	0.5	0.5
2 Mining	2.1	2.5	2.4	1.0	0.9
3 Manufacturing	20.7	22.2	21.7	1.0	1.0
4 Construction	3.6	4.5	3.4	1.3	1.0
5 Transp. & other public utilities	9.9	8.6	7.0	1.2	1.4
6 Trade	13.6	16.0	14.2	1.1	1.0
7 Finance & real estate	11.9	4.3	3.0	1.4	4.0
8 Service	12.7	15.6	15.3	1.0	0.8
9 Government	12.0	11.0	7.8	1.4	1.5
10 Miscellaneous	3.9	4.5	4.5	1.0	0.9
PART B BY PRODUCTIVE FUNCTION					
11 Commodity production	37.6	40.9	48.8	0.8	0.8
a Primary	9.5	10.9	20.6	0.5	0.5
b Secondary	28.2	30.0	28.2	1.1	1.0
12 Tertiary	62.3	59.2	51.2	1.2	1.2
a Commod. transp. & distribution	19.9	22.1	19.0	1.2	1.0
b Services	42.4	37.1	32.2	1.2	1.3
PART C BY PREDOMINANT TYPE OF ORGANIZATION					
13 Large prop. of indiv. firms	52.2	52.6	59.2	0.9	0.9
14 Private corp.	22.8	24.7	24.1	1.0	0.9
15 Semi-public corp.	12.9	11.8	8.9	1.3	1.4
16 Public	12.0	11.0	7.8	1.4	1.5

For definition of 'aggregate employment' see note to Table 1.

COLUMN

1 Averages of annual estimates in *National Income and Its Composition,* Vol. One,
Table 59.

2 Averages of annual estimates in *ibid.,* Table 67.

3 Averages of annual estimates in *ibid.,* Table 69.

Industrial classification of lines 11-16:

LINE

11a   Agriculture

11b   Mining, manufacturing, construction, electric light and power, manufactured
gas

12a   Steam railroads, Pullman, and express, water transportation, pipe lines, trade

12b   Street railways, telephone, telegraph, finance and real estate, service, government, miscellaneous

13   Agriculture, construction, trade, real estate, service, miscellaneous

14   Mining, manufacturing

15   Transportation and other public utilities, banking, insurance

16   Government

5). In agriculture income per employed is half that in all industries combined; and in transportation and other public utilities, finance, and government, well above the countrywide average. When industries are classified by their productive function, income per employed is below the countrywide average in primary commodity production; at the average in secondary commodity production and in commodity transportation and distribution; and well above the average in the service industries.

Income per employed reflects not only the productivity assignable to the worker personally and measured by his compensation but also the amount of capital invested and the relative weight of property income originating in the industry. It is the large share of the latter that explains the very high ratio for finance and real estate and the relatively low ratio for the service industry in column 5. A better approximation to inter-industry differences in the income productivity of the working force proper is provided if we exclude property income (col. 4). Agriculture is still characterized by relatively low income per employed; in construction, transportation and other public utilities, finance and real estate, and government, income per employed is relatively high. The somewhat surprising showing for the service industry, for which we would expect a ratio above 1.0, is due to the offsetting of the high levels for professional service by the low levels for domestic service. In the distribution by type of productive function, differences in service income per employed roughly parallel those in total income per employed (col. 5).

The differences among industries in income per employed are obviously due to many factors. Those that come to mind most readily are differences in the supply of personal capital (embodied in skill and training); in the bargaining power of the several industries in procuring for their workers the greatest return for their services; in the different pricing of the same or comparable products and services as between country and city, small town and metropolis; in the cost of living associated with conditions of life imposed upon workers by their affiliation with one industry or another. While many

other factors may be at play, a large part of inter-industry differences in service income per worker is ascribable to inter-industry disparities in costs, either past (represented by education and training) or present (represented by higher living costs). In other words, a shift in the working force from agriculture to professional service will, other conditions being equal, serve to raise income per capita and national income at large, but the price will be greater diversion of income to training; moreover, a greater share will go to cover additional expenses of living associated with the urban conditions under which most professional practice is pursued.

When the minor industrial divisions are grouped by the prevailing type of firm, a relatively large share of national income is accounted for by industries dominated by individual firms and a moderate share by those dominated by corporations, even including the public utilities, which the extent of government control makes semipublic (Table 2, lines 13-16). Whether in national income, service income, or aggregate employment, the share of industries dominated by individual firms is well over one-half, and that of corporations about one-third. While the distribution is crude and the share of individual firms possibly exaggerated, even a finer allocation would attribute to individual firms at least as large a share of national income and probably a larger share of the working force than to corporations. The impression that the economic scene is dominated by the latter is possibly due to their greater share of the commodity capital of the industrial system, and even more, to the concentration of activity under the auspices of a few large units.

Total and service income per employed rise steadily as we pass from the group with a large proportion of individual firms to the industries dominated by private corporations, to those in which corporations are subject to more government regulation, and finally to the public sector. This association between degree of departure from free and decentralized operations by a large number of individual firms and the relative level of income per worker may be fortuitous or due to causes other than the extent and character of the regulation.

But it may well be that the more regulated and monopolistic an industry, the greater the possibility of a pre-selection of its working force, to assure higher per worker productivity and to justify the higher income; or of a higher per capita return because of an advantageous position in the markets of the economy.

3 Distribution by Type

The estimates show that of national income produced during the two decades, more than 100 percent, on the average, was distributed in the form of income payments (Table 3), partly because we averaged percentages, partly because of the severe depression from 1929 to 1932. But even in the cyclically prosperous year 1929 the share of national income retained as undistributed net profits by corporations and savings by governments was only 4 percent; and thus the amount *not* distributed to recipients in the form of income payments ordinarily constitutes merely a minor fraction of national income.

Roughly four-fifths is service income, i.e., returns largely for personal effort; one-fifth property income, i.e., returns on invested capital. A fine line cannot be drawn between returns for personal effort and on capital; e.g., entrepreneurial income presumably includes some compensation for the entrepreneur's equity in his business (i.e., his own capital invested in it) and some return to the factor of enterprise similar to that of undistributed net profits of corporations. But since most entrepreneurs are in farming, retail trade, and the service industry, it is fair to assume that by far the major proportion of their total income is compensation for their personal services, similar in character to payments to a wage earner or salaried employee. It can therefore be concluded that on the average, compensation for personal effort accounts for at least three-fourths of national income, and returns on property and enterprise for less than one-fourth.

The relative weight of service and property income varies from industry to industry and with the amount of capital invested in proportion to the direct services of employees and

TABLE 3

Percentage Distribution by Type of Income, National Income and
Net Income Originating (both in Current Prices) in
Broad Industrial Divisions by Predominant Type of Organization
(based on averages of percentages for 1919-38)

	ALL INDUSTRIES (NATIONAL INCOME)	BROAD INDUSTRIAL DIVISIONS BY PRE- DOMINANT TYPE OF ORGANIZATION (NET INCOME ORIGINATING)				
		LARGE PRO- PORTION OF INDIVIDUAL FIRMS		PRI- VATE CORP.	SEMI- PUBLIC CORP.	PUBLIC
		Incl. Rent	Excl. Rent			
	(1)	(2)	(3)	(4)	(5)	(6)
1 Employee compensation	64.1	50.2	56.2	87.2	71.4	74.3
2 Entrep. net income	17.5	31.8	35.7	2.4	2.5	0.0
3 Service income (1–2)	81.6	82.0	91.9	89.6	73.8	74.3
4 Dividends	6.2	2.5	2.8	13.6	14.3	0.0
5 Interest	7.4	6.8	7.6	1.5	10.7	18.2
6 Rent	5.7	10.8	...	0.0	0.0	0.0
7 Property income incl. rent (4–6)	19.3	20.1	10.4	15.1	25.0	18.2
8 Corp. & gov. net savings	—0.9	—2.1	—2.3	—4.7	1.2	7.5

Based on annual data underlying Table 23, *National Income and Its Composition,*
Vol. One.

entrepreneurs. If rent is excluded as not susceptible of a
proper industrial allocation with the present data, the share
of service income is highest in the industries dominated by
individual firms—averaging 92 percent; the amount of capital
invested in proportion to the direct services of employees and
entrepreneurs is small; and part of the returns on capital are
included under entrepreneurial net income. Also, the share of
entrepreneurial net income is relatively high, much higher than
in the other major industrial categories or in national income.

In the group dominated by private corporations, the share
of service income is lower and that of property income higher.
The peculiarities of these industries (mining and manufactur-
ing) also account for the fact that in property income dividends
are so much more important than interest.

The share of property income is highest in the public utili-
ties group—indicating the large weight of capital invested in
proportion to labor. Although less than that of dividends, the
share of interest is substantial, reflecting the importance of
bonds as a method of providing long term capital for steam
railroads and related older public utilities.

Finally, in government of course there is neither entre-
preneurial net income nor dividends. The somewhat unexpec-
tedly large share of governmental savings is due largely to
the use of a sizable proportion of current revenues in public
works productive of additions to durable capital owned by
the government. While for other industries the percentage of
net savings for the period was negative, it was positive for
both public utilities and government. This, however, is an
idiosyncrasy of this period rather than a long standing
characteristic of the structure of national income in this country.

The distribution of national income by type serves as a link
between the industrial structure and the distribution of income
payments by size. Differences in industrial structure between
periods or countries spell differences in the distribution by type:
the greater the weight of agriculture and of industries similar-
ly dominated by individual firms, the larger the share of entre-
preneurial income. The larger the share of industries that
must employ huge amounts of direct services and cannot em-
ploy proportionate amounts of invested capital (e.g., agricul-
ture, trade, the service industry, mining, construction, and
even some branches of manufacturing), the larger the share
of service income and the smaller the share of property income.

Being thus determined, at least in large degree, by the
industrial structure of the country's productive system, the dis-
tribution of national income by type in turn affects the distribu-
tion of income payments by size. Employee compensation gives
rise to a different size distribution than dividends or interest.
Consequently, varying shares of wages, salaries, entrepreneurial
income, dividends, interest, rent, etc. ordinarily make for dif-
ferent distributions of income payments by size among reci-
pients. Other conditions being the same, a larger proportion
of service income gives incomes in the lower brackets a greater
weight in the total distribution and incomes in the higher
brackets a smaller.

4 *Distribution by Size*
On the size distribution of income payments no continuous an-
nual data are available. The only body of information provided

annually during the two decades 1919-38 are summaries of
federal income tax returns by individuals, which cover a small
percentage of all income recipients and a relatively low pro-
portion of the country's total population.

By comparing the information from federal returns with
total income payments we can ascertain for each year the frac-
tion received by persons in the higher brackets. The comparison
requires several detailed technical adjustments, designed to cor-
rect for the use in the federal income tax data of a net income
concept that differs in several important respects from indivi-
duals' incomes defined as shares in national income. Further
adjustments are needed to ascertain the proportion that the
number of persons represented on income tax returns consti-
tutes of the total population. These various adjustments and
calculations cannot be explained in detail here. In general,
the persons represented on tax returns are grouped by their
total income from the highest to the lowest each year. In the
distribution of the 'income tax population' and its total income,
thus cumulated from the top incomes downward, lines are in-
terpolated segregating the top 1, 2, 3, 4, etc. percents of total
population, yielding the percentages of total income payments
received by these upper income groups. The lowest dividing
line that can be drawn from the income tax data year-in-year-
out is the 5 percent line.

The upper 1 percent of the population received, on the aver-
age, 14 percent of total income payments, and about 1 per-
cent less if we allow for the part of tax payments that can
be measured annually, viz., federal income taxes (omitting
such taxes from both the income receipts of the upper 1 percent
of the population and those of the total population) (Table
4). The upper 5 percent of the population received, on the
average, over a quarter of total income payments, and again
about 1 percent less, if we deduct federal income taxes from
all income payments. Because of difficulty in passing from the
published distributions of tax returns by size of net income
(tax definition) per return to the desired distribution by size
of economic income per person, and because of possible under-
reporting on tax returns, the percentages in Table 4 are

TABLE 4

Percentage Shares of Total Income Payments (Current Prices)
Received by Upper and Lower Income Groups
(based on averages of percentages for 1919-38)

	INCOME GROUPS OF TOTAL POPULATION			
	Upper 1% (1)	Upper 5% (2)	Lower 95% (3)	Total (4)
1 % share of total income payments, adj. for marital status				
a Excl. fed. income taxes	12.8	25.4	74.6	100.0
b Incl. fed. income taxes	13.7	26.3	73.7	100.0
2 % shares of various types of payment, unadj. for marital status & incl. fed. income taxes				
a Employee compensation	6.5	16.9	83.1	100.0
b Entrep. net income	13.7	26.9	73.1	100.0
c Service income	8.1	19.1	80.9	100.0
d Dividends	69.7	82.4	17.6	100.0
e Interest	25.7	38.8	61.2	100.0
f Rent	17.9	38.3	61.7	100.0
g Property income incl. rent	40.1	54.2	45.8	100.0
h Total income payments	13.1	24.7	75.3	100.0
3 % distribution by type of total income received, unadj. for marital status & incl. fed. income taxes				
a Employee compensation	33.0	45.4	72.8	66.0
b Entrep. net income	19.0	19.9	17.6	18.2
c Service income	51.9	65.3	90.4	84.2
d Dividends	30.9	19.5	1.4	5.9
e Interest	13.2	10.6	5.7	6.9
f Rent	3.9	4.5	2.5	3.0
g Property income incl. rent	48.1	34.7	9.6	15.8
h Total income	100.0	100.0	100.0	100.0

Based on a comparison of data on individuals' federal income tax returns with estimates of income payments. The detailed analysis is now being prepared for a monograph, *Some Aspects of the Distribution of Income by Size.* An earlier analysis along these lines was made by Morris A. Copeland in *Recent Economic Changes,* II, 833-7.

The percentage distribution in col. 4, lines 3a-g, differs from that in Table 3, col. 1, because the total distributed here differs from that in Table 3 in that it includes entrepreneurial savings adjusted for gains and losses on the sale of assets rather than unadjusted, and excludes: (a) imputed rent on owner-occupied residences; (b) property income of life insurance companies; (c) savings of corporations and of governments.

probably too low. But the resulting underestimate in the shares of upper income groups, according to various tests, does not exceed one-tenth. The average share of the upper 1 percent is thus probably closer to 15 percent than to 14 (line 1b); and of the upper 5 percent, to 29 than to 26 percent.

While the upper 1 percent of the population received, on the average, one-seventh of total income payments, its shares in the countrywide totals of the several types of income differed widely. On the basis of the only variant for which analysis by type of income is possible (the estimate not adjusted for differences in number of persons per return between marital status groups or for exclusion of federal income taxes), the average share of the upper 1 percent in total wages and salaries was below 7 percent; but as high as 70 percent in total dividends. This does *not* mean that of all wages and salaries about one-fourteenth and of dividends about seven-tenths were distributed in such big lumps as in themselves to place the recipient and his dependents in the upper 1 percent of the population: an income may consist of a receipt from a single source or of receipts from sources of various types. Multi-type income receipts are much more common in the upper than in the lower brackets. Lines 2a-g in Table 4 show, then, not differences in the inequality of distribution by size of wages, dividends, etc., but merely differences among wages and salaries, dividends, etc. in their distribution between the various population groups, classified by size of *total* income per person.

As a result of the differences shown in lines 2a through 2g, incomes of the upper groups are much more heavily weighted by dividends and other income from property than those of the lower. Indeed, on the average, dividends, interest, and rents combined account for almost half of the incomes of the upper 1 percent of population; and for over one-third of the incomes of the upper 5 percent (Table 4, lines 3a-g). For the lower 95 percent of the population, they constitute less than one-tenth, for the entire population, about one-sixth.

Table 4 tells nothing about the characteristics of the income distribution among the masses below the upper 5 percent line. Comprehensive information on the distribution of income by size in this country is available only for 1935-36. Though the data are for only one year and are derived from a small sample, the general conclusions they suggest are likely to be fairly typical of other years.

In the distribution of income among families (excluding the much smaller groups of single individuals and the institutional population), inequality is marked even below the high upper level. For example, the lowest tenth of families received only 2 percent of total income payments; the ninth tenth, 15 percent, or over 7 times as much.[2]

Some of the factors making for such inequality and the general characteristics of the family income distribution are suggested in Table 5. Nonrelief families can be grouped into a few occupational-industry classes, and some measures of skewness and inequality are given or can be calculated. The various groups differ greatly in the average level of income per family, whether measured by median or arithmetic mean: farm families receive the lowest incomes (if we exclude relief families and the heterogeneous category, 'other'); families whose income was mainly from independent professional practice the highest. The arithmetic mean income is consistently larger than the median, indicating that all these family income distributions are skewed in the direction of the larger incomes, appreciably so for most groups. This positive skewness is least among the wage earning and clerical groups; greatest among the business, independent professional, and 'other' families. As measured by the proportion of families whose incomes are 25 or 50 percent below or above the median income, there is least inequality within clerical, salaried professional, salaried business, and wage earning (excluding relief) families; and most within groups of independent entrepreneurs—farming, business, professional—and 'other', particularly independent professional and 'other'.[3]

These conclusions accord fully with expectations: the higher

[2]*Consumer Incomes in the United States* (National Resources Committee, Washington, D. C., 1938), Table 6B, p. 96.

[3]The proportions of families with incomes 25 or 50 percent above or below the median income do no reflect the effect upon inequality of very low or very high incomes. But they do approximate the degree to which families are bunched about the median income, or scattered far from it.

These conclusions are confirmed by the Lorenz curves in Milton Friedman and Simon Kuznets, *Income from Independent Professional Practice* (National Bureau of Economic Research, 1945), Ch. 3, Charts 2 and 3.

TABLE 5

Some Aspects of the Distribution of Family Income by Size

Total and Groups by Occupational and Employment Status, 1935-1936

GROUPS	NO. OF FAMILIES (mill.) (1)	MEDIAN INCOME ($) (2)	ARITHMETIC MEAN INCOME ($) (3)	RATIO OF MEAN TO MEDIAN (4)	% OF FAMILIES WITHIN 75-125% of Median (5)	50-150% of Median (6)
1 All families	29.4	1,160	1,622	1.40	28.6	53.9
2 Relief families	4.5	685	740	1.08	29.5	59.3
3 Nonrelief familes	24.9	1,285	1,781	1.39	29.7	56.5
Groups under 3						
4 Farming	6.2	965	1,259	1.30	29.1	56.2
5 Wage earning						
a Nonrelief	9.5	1,175	1,289	1.10	35.1	63.1
b Incl. relief (5a + 2)	14.0	987	1,130	1.14	32.8	57.7
6 Clerical	3.6	1,710	1,901	1.11	38.9	70.0
7 Salaried business	1.1	2,485	4,212	1.69	35.4	64.7
8 Independent business	2.4	1,515	2,547	1.68	28.9	55.8
9 Salaried professional	0.99	2,100	3,087	1.47	37.6	65.1
10 Independent professional	0.34	3,540	6,734	1.90	23.1	46.1
11 'Other'	0.85	745	1,696	2.28	22.0	43.0

Taken or calculated from various tables in *Consumer Incomes in the United States.* Families alone are covered in the above estimates; single individuals and the institutional population are excluded. Relief families include all families receiving any direct or work relief, however little, at any time during the year.

Families are classified by the occupation from which largest family earnings were derived, rather than by the occupation of the principal earner. 'Farming' families include families living on farms in rural areas only. 'Other' families include families with no income from earnings during the year, and village and urban families with major earnings from farming.

levels of average income in the pursuits that require either greater investment in training and education (professional and salaried business) or in equity capital (independent business) or in urban cost of living (all urban as compared with farm); the greater skewness to the right in occupations that by their nature admit of qualitative differentiation to very high levels of particular excellence or success (such as business and independent professional); the greater inequality in pursuits where the qualitative range can be very wide.

Any interpretation in terms of welfare must be qualified stringently. Being for only one year, the data reflect transient influences which temporarily depress some incomes and temporarily raise others. Magnified as it is by these transient influences, the range of inequality cannot be interpreted as a range

of differences in income *status;* i.e., income position during, say, a quinquennium or decade. Furthermore, differences in income cannot be interpreted as differences in welfare, for the cost of living varies widely in different parts of the country and for different groups of the population; i.e., identical or comparable bundles of goods do not cost the same everywhere. The differences are positively associated with the size of income, i.e., living costs are usually higher the larger the monetary income. So far as this is true, welfare does not parallel monetary income. On the other hand, if income falls below a certain minimum level for any substantial period, the negative effect on welfare is much greater than is reflected by a sheer numerical difference between the dollar level of that income and of another above the minimum welfare line. So far as the distribution includes any large groups whose income is below the minimum, welfare differences are greater than would be suggested by numerical comparisons of dollar income alone.

Distributions of money income by size among recipients are a basic datum in calculating taxation bases or propensities to consume and to save. But in evaluating the adequacy of the income structure from the welfare viewpoint they must be used together with information on size of income for a fairly long period, with data on the costs of living at various levels of want satisfaction and welfare which would reflect the variety of living and cost patterns among groups in different parts of the country. The present state of our information in this vast and still relatively unexplored field is such that we cannot do more than indicate a few characteristics of the distribution of income by size and the difficulty of interpreting them in terms of welfare.

5 *Distribution by Type of Use*

Net product, whose monetary equivalent we call national income, goes into various channels. Part of it flows to ultimate consumers to satisfy wants and to provide the material basis for survival, reproduction, and growth. Another part is added to the stock of capital goods within the country, or to claims against foreign countries. National income, by definition, is

divided between the flow of goods to ultimate consumers and
net capital formation, i.e., net addition to the stock of goods
outside households and to claims against foreign countries.

It can be allocated also among subcategories of use. In the
flow of goods to consumers we distinguish major groups by
length of average life in the consumption process: (1) per-
ishable commodities (lasting less than six months—food, drugs,
fuel, paper products, etc.); (2) semidurable (lasting from
six months to three years—clothing and shoes, tires, the lighter
type of housefurnishings, etc.); (3) durable (lasting more than
three years—passenger cars, furniture, etc.); (4) services not
embodied in new commodities—ranging from services of com-
modities (such as residences and transportation facilities),
services applied to commodities already in the hands of ulti-
mate consumers (for repair and maintenance), to services
rendered directly to ultimate consumers by individuals (profes-
sional practitioners, domestic servants, governments). The im-
portance of the classification lies in the relation between the
average durability of a good and the responsiveness of the
demand for it to cyclical and other short term influences. New
residential units, while logically classifiable under the flow of
goods to ultimate consumers, are put under net capital forma-
tion, the purchase being treated as an investment rather than
as a consumer expenditure.

Net capital formation too can be allocated—to construction
(of various descriptions, by type of use), the flow of pro-
ducers' equipment, net addition to inventories, and net changes
in claims against foreign countries. The total is net in that
from the annual gross value of construction and producer
durable equipment turned out during the year we deduct the
value of construction and durable equipment consumed in the
production process.

During the two decades 1919-38 the flow of goods to con-
sumers accounted for well over 90 percent of national income,
leaving only 6-7 percent for net capital formation (Table 6).
The relative distribution between the two changes materially
with the business cycle, and the apportionment for 1919-38
may be unduly affected, as a measure of the disposition char-

TABLE 6

National Income, Percentage Distribution by Type of Use
(based on average values for 1919-38)

	% DISTRIBUTION OF NATIONAL INCOME		% DISTRIBUTION OF COMPONENTS	
	Current Prices (1)	1929 Prices (2)	Current Prices (3)	1929 Prices (4)
Flow of Goods to Consumers				
1 Perishable	35.8	37.8	38.4	40.1
2 Semidurable	14.5	13.6	15.6	14.4
3 Durable	9.2	9.0	9.9	9.5
4 Services	33.6	34.0	36.1	36.1
5 Total	93.2	94.3	100.0	100.0
Net Capital Formation				
6 Producer durable	1.4	1.3	21.0	23.6
7 Construction	3.1	2.8	46.0	49.8
8 Net addition to inventories	1.4	0.8	20.2	14.1
9 Net changes in claims against foreign countries	0.9	0.7	12.9	12.6
10 Total	6.8	5.7	100.0	100.0
11 National income (5 + 10)	100.0	100.0		

Based on estimates in *National Product since 1869* (National Bureau of Economic Research, 1946), Tables II 8, 15, and 16.

acteristic of recent decades, by the severe contraction of 1929-32. But the general conclusion, viz., that of the current net product the overwhelming share, about nine-tenths, flows to ultimate consumers, and only a minor share remains for addition to capital stock, may be accepted as typical of the disposition of national income in this country.[4]

Of the total flow of goods to ultimate consumers, about 40 percent is accounted for by perishable commodities and an almost equally large share by services. These two categories together account also for over 70 percent of national income (in 1929 prices). As both include goods that disappear in the very process of consumption, one is left with the impression that of the current net product of economic activity a very large

[4]Calculations based upon the ratio of individuals' monetary savings to their income receipts are likely to exaggerate the ratio of net capital formation to national income for several reasons. Part of individuals' monetary savings is a fund laid aside for depreciation on owner-occupied residences (usually treated as savings by individuals but not representing real net investment). Many calculations include gains and losses on capital assets under income, and the savings of those who have realized capital gains are not offset by the hidden dissavings of the individuals who have financed these capital gains by purchasing the assets.

proportion vanishes without leaving a trace in the stock of goods. Correlatively, one is inclined to infer the urgent need of maintaining and increasing national income as a means of satisfying the current wants of ultimate consumers.

But the small share of net capital formation and of the *physically* durable components of the flow of goods to consumers should not be interpreted to mean that current consumption of perishable goods does not contribute to the future capacity of the economy. Indeed, one may argue that its effect is at least as great as that of additions to commodity capital in either business enterprises or households. For a country's greatest capital asset is its people, with their skill, experience, and drive toward useful economic activity. To keep these at a high level the flow of perishable commodities and of services (as well as the flow of goods to consumers in general) is crucial. The effects of a high standard of living, assured by an adequate flow of perishable and other commodities, and of the skills generated by such a 'perishable' service as education, are, of course, immense. Hence, even if we forget that, after all, national income is for the consumer and not the consumer for national income; even if we look upon national income chiefly as a means to accumulate capital and augment the country's future productive capacity, substantial portions of the flow of goods to consumers, whether in the perishable or the more durable categories, should be treated as comparable in importance to net capital formation.

By using data on commodity flow in conjunction with those on savings of enterprises and of individuals and with those on assets of various owner-categories, we can distinguish the sources of net capital formation and the broad groups of industries in which net construction and net additions to producers' equipment took place (Table 7).

Savings embodied in net capital formation are accumulated mainly by individuals. Undistributed corporate profits were on the average negative in 1919-38; and even in the prosperous decade 1919-28 constituted little more than a tenth of the average volume of net capital formation. Similarly, government savings, while substantial, were minor compared with

the savings of individuals. The latter amounted to over 95 percent of net capital formation over the full period; almost 70 percent even in the prosperous decade 1919-28.

The sample data for 1935-36 suggest that individuals' savings, which are so large relatively to the country's average

TABLE 7

Sources and Destination of Net Capital Formation

	BILLIONS OF DOLLARS (1)	PERCENTAGE SHARES (2)
A Net Capital Formation by Type of Savings		
Averages for 1919-38, Current Prices		
1 Total	4.6	100.0
2 Corporate savings	—0.4	—9.9
3 Government savings	0.7	14.5
4 Individuals' savings, incl. entrep. savings [1 — (2 + 3)]	4.3	95.4
Averages for 1919-28, Current Prices		
5 Total	7.9	100.0
6 Corporate savings	1.0	13.0
7 Government savings	1.4	17.4
8 Individuals' savings, incl. entrep. savings [5 — (6 + 7)]	5.5	69.6

	% OF NUMBER		
B Sources of Individuals' Savings by Income Groups (based on data for 1935-36)			
9 Lower third of families & single individuals	33.3	—1.21	—20.2
10 Middle third of families & single individuals	33.3	—0.25	—4.2
11 Upper third of families & single individuals	33.4	7.44	124.4
a $1,450– 2,000	15.2	0.46	7.7
b 2,000– 3,000	11.2	1.07	17.9
c 3,000– 5,000	4.6	1.18	19.6
d 5,000–15,000	1.9	1.90	31.8
e 15,000 & over	0.5	2.83	47.4
12 Total	100.0	5.98	100.0

C Industrial Distribution of Increase in Value of Real Estate Improvements & Equipment, 1929 Prices (Jan. 1, 1919 — Jan. 1, 1939)		
13 Private industry, excl. public utilities	5.0	12.5
14 Public utilities	14.9	37.2
15 Residential	6.8	16.9
16 Total private (13-15)	26.7	66.6
17 Tax exempt	13.4	33.4
18 Total of above	40.2	100.0

LINE   COLUMN 1

1 & 5 From *National Product since 1869*, Table II 15.

2, 3, Averages of annual estimates in *National Income and Its Composition,*
6, & 7 Vol. One, Table 39.

9-12 *Consumer Expenditures in the United States* (National Resources Committee, Washington, D. C., 1939), Table 1 A, p. 77.

13-18 *National Product since 1869,* Table IV 13, Part B.

COLUMN 2

Based on absolute values in col. 1.

real net investment, come primarily from the upper income
groups. The savings of families and single individuals with
incomes of $5,000 and over, who accounted for one-fortieth
of total income receiving units, constituted almost eight-tenths
of the total saved by individuals. Even if we assume that
peculiarities of the sample exaggerate the relative importance
of the upper income groups in total savings, the dominance
of the relatively few high income recipients can hardly be
gainsaid.

The largest part of net capital formation—construction and
producers' equipment—can alone be classified by broad chan-
nels of destination, although the data do not admit of an'
accurate distribution by sufficiently narrow categories of users
(Table 7, lines 13-18). In 1919-38 private industries—ex-
cluding public utilities—received one-eighth of net additions to
construction and equipment. Public utilities, as always, ac-
counted for a substantial share—well over one-third. All
private, including residential, constituted two-thirds of the
total, leaving one-third for all tax exempt—government and
other public—largely the former. As will be seen in Part II,
the distribution is not typical of the longer past in that too
large a share is assigned to tax exempt and too small a share
to private industries excluding public utilities—a reflection of
the severe depression of the 1930's.

At this point, our tracing of the economic process of circula-
tion as reflected in national income and its components—from
its origin in the various industries, through its distribution by
type and size, to the various categories of use of both income
flow and national product—is completed. Many of the characa-
teristics noted are interconnected; e.g., the high level of na-
tional income per capita, the moderate share of agriculture and
the relatively large share of service industries, the type of or-
ganization, the relatively large share of employee compensa-
tion and the small share of entrepreneurial income, the skew-
ness and rather marked inequality of the distribution by size,
the relatively large share of the flow of goods to consumers
and the correspondingly small share of net capital formation,
and finally the dominance of savings by those of individuals in

the upper income brackets. They are the characteristics of a highly developed industrial, largely urban economy, with a relatively democratic organization of society and freedom of enterprise.

In a country as large as this, with room for wide differences among regions, with contrasts between huge metropolitan centers and vast rural areas, there must be substantial regional and community-size differences in the level of income per capita and in the various characteristics of income composition. We now summarize briefly this aspect of the structure of national income.

6 *Regional and Community-size Differences*

Income per capita differs markedly from state to state, ranging from well below one-half of the countrywide average in Mississippi to over one and one-half times in New York (Table 8). States are, to some extent, artificial units; and from the data underlying the averages, income per capita cannot be determined precisely. Yet obviously dollar levels of per capita income differ so widely from one part of the country to another that the countrywide average is not representative. If income per capita in the country as a whole doubled from about 1880 to the 1920's and 1930's we might say that the states whose per capita income was 40 or 50 percent below the countrywide average in the 1920's were at the 1880 stage; whereas those whose per capita income was as much as 50 percent above the average were at the 1960 or 1970 stage.[5]

In general, a high level of income per capita is associated with a high proportion of income from industries other than agriculture; and a low level with a dominant share of agriculture in the state's productive system; the coefficient of rank correlation between columns 2 and 1 is 0.74, high enough to be significant. In view of the lower level of income per worker in agriculture than in other industries, discussed in Section 2,

[5] The analogy is not quite fair since it disregards the accessibility to every part of the country of the progress in productive efficiency. But is is useful in highlighting the wide divergences among various parts of the country in levels of income per capita.

TABLE 8
State and Regional Differences in Income Per Capita and in Income Composition
(based on averages of ratios for 1919-21 and 1934-38)

STATE OR REGION	RATIO OF STATE PER CAPITA TO NATIONAL PER CAPITA (1)	% OF INCOME FROM NON-AGRICULTURAL INDUSTRIES (2)	% OF INCOME FROM PROPERTY (3)	% OF POPULATION REPRESENTED ON FEDERAL INCOME TAX RETURNS (4)
1 Mississippi	0.40	60.41	8.84	2.46
2 Arkansas	0.47	65.43	9.68	3.20
3 Alabama	0.47	75.16	9.09	3.44
4 South Carolina	0.50	69.38	9.26	3.31
5 Georgia	0.54	75.97	11.30	4.36
6 North Carolina	0.55	69.60	10.42	3.20
7 Tennessee	0.56	79.23	10.82	4.73
8 Kentucky	0.58	79.25	11.94	4.99
9 Louisiana	0.64	83.08	14.51	6.22
10 North Dakota	0.66	60.02	7.32	5.87
11 Virginia	0.66	82.84	12.74	6.58
12 New Mexico	0.68	72.34	8.60	6.23
13 Oklahoma	0.70	77.15	14.56	6.19
14 South Dakota	0.73	63.96	9.04	7.40
15 Florida	0.74	86.18	17.92	7.26
16 West Virginia	0.75	90.11	11.71	8.26
17 Texas	0.76	76.94	16.06	7.65
18 Iowa	0.82	73.70	13.39	9.55
19 Nebraska	0.83	74.67	13.91	10.39
20 Utah	0.83	81.68	10.32	9.79
21 Kansas	0.84	75.48	13.29	8.36
22 Idaho	0.87	65.14	8.20	8.85
23 Missouri	0.88	87.84	15.18	8.69
24 Minnesota	0.88	82.19	14.28	9.88
25 Indiana	0.88	87.04	11.38	9.32
26 Vermont	0.90	79.94	15.43	9.06
27 Maine	0.92	87.14	16.86	9.42
28 Wisconsin	0.93	79.38	11.91	10.18
29 Arizona	0.96	83.11	10.78	11.00
30 Montana	1.00	75.98	9.44	13.24
31 Colorado	1.02	83.28	15.12	11.88
32 New Hampshire	1.06	93.14	21.10	12.32
33 Oregon	1.06	81.52	11.76	12.83
34 Ohio	1.08	92.67	14.61	12.04
35 Michigan	1.09	91.56	13.29	12.37
36 Maryland	1.10	94.14	21.24	16.61
37 Pennsylvania	1.10	95.86	17.72	12.89
38 Washington	1.12	85.72	12.72	15.44
39 Illinois	1.21	93.26	17.40	14.82
40 New Jersey	1.22	97.44	19.90	16.19
41 Wyoming	1.24	72.82	10.67	17.17
42 Rhode Island	1.30	98.58	23.36	14.56
43 Delaware	1.30	92.64	30.45	14.46
44 Connecticut	1.32	96.38	23.86	17.87
45 Massachusetts	1.36	98.27	21.96	17.34
46 Nevada	1.42	83.52	13.00	21.99
47 California	1.46	88.62	19.63	18.56
48 New York	1.62	97.02	23.28	17.91
49 New England	1.27	96.25	21.84	15.74
50 North Central	1.16	93.96	14.30	13.37
51 South	0.63	78.63	13.68	5.80
52 Mountain & Plains	0.86	74.87	11.83	9.71
53 Pacific	1.34	87.38	17.66	17.20

such an association is not unexpected. It must be taken into
account in interpreting differences in average income in terms
of differences in living standards: some of the disparities in
monetary levels are offset by disparities in living costs.

Another aspect of composition that explains state differences
in income level is the distribution by type. In general, a high
income per capita is associated with a relatively high propor-
tion of income from property—interest, dividends, rent; and
a low level with a relatively high proportion of income in the
form of compensation for effort—wages and salaries, entre-
preneurial income; the coefficient of rank correlation between
columns 1 and 3 is 0.65. Naturally, there is also association
between the proportion of income from nonagricultural in-
dustries and from property (col. 2 and 3); the coefficient of
rank correlation is 0.83.

Finally, we can get some notion of the relative proportion
of high income recipients by comparing the number of persons
represented on federal income tax returns with the total popu-
lation of the state. This ratio does not reflect accurately the
contrast between incomes in the top brackets and those of the

Notes to Table 8

COLUMN
  1 The ratio of the state or regional per capita to the national per capita for
    1919-21 averaged with that for 1934-38. Per capitas for these two periods
    are from a manuscript by Donald Murray of the University of Pennsylvania,
    'Changes in the Distribution of Income by States, 1840-1938'. The income
    data used by Mr. Murray are from Maurice Leven, *Income in the Various
    States* (National Bureau of Economic Research, 1925) and the various pub-
    lications on state income payments by the Department of Commerce for
    recent years.
2 & 3 The percentage of income from nonagricultural industries or from property
    for 1919-21 averaged with that for 1934-38. Percentages for these two periods
    are given in or calculated from the source indicated for col. 1.
  4 The number of persons represented on federal income tax returns is esti-
    mated annually for 1919-21 and for 1934-38 from the number of returns given
    in *Statistics of Income* and the ratio for the entire country of persons per
    return, as computed for *Some Aspects of the Distribution of Income by Size,*
    now in preparation. Averages are calculated for 1919-21 and for 1934-38
    and related to the population series basic to col. 1. The percentages for the
    two periods are then averaged.

The state composition of regions, the same as used in Table 9, is:
      New England: lines 27, 32, 26, 45, 42, and 44.
      North Central: lines 48, 40, 37, 34, 25, 39, 35, 28, 24, 18, and 23.
      South: lines 43, 36, 11, 16, 6, 4, 5, 15, 8, 7, 3, 1, 2, 9, 13, and 17.
      Mountain & Plains: lines 10, 14, 19, 21, 30, 22, 41, 31, 12, 29, 20, and 46.
      Pacific: lines 38, 33, and 47.

mass of low and middle recipients, since only numbers rather
than both numbers and incomes are compared; moreover, the
number of persons represented on tax returns is estimated on
the basis of countrywide ratios of persons per return, rather
than upon specific state ratios. Yet we may assume that filers
of federal returns receive much higher incomes than the aver-
age for the state; and that the larger the income tax popula-
tion the greater the inequality in the income distribution as de-
termined by the relative proportion of recipients of income well
above the average.[6]

The association between level of income per capita and in-
equality as measured by the percentage of the population rep-
resented on federal returns is close, the coefficient of rank
correlation being 0.98. There is association also between
the percentage of the population represented on federal re-
turns and the proportion of income from nonagricultural
industries or from property: the coefficients of rank correla-
tion are 0.69 and 0.60, respectively.

Since the relative weight of agriculture is an important de-
terminant of income per capita, we can assume that differences
between rural and urban areas as well as among urban com-
munities of different size must also be substantial. While
there are no continuous data on community-size differences,
the 1935-36 sample study suggests the order of magnitudes
(Table 9).

In the five regions differences in income per family (either
median or mean) are the same as indicated by the state data:
the South and the Mountain and Plains region are character-
ized by distinctly lower levels than New England, the North
Central, or the Pacific region, whereas differences among the
latter three are relatively minor (Table 9, lines 1-5, col. 2
and 3). But when we analyze each region by community-size
groups we see that the regional disparities are due almost en-
tirely to differences in per family income in farm areas alone

[6]Table 8 is based upon data for 1919-21 and 1934-38, when exemption limits in
federal income taxation were quite generous; so that filers represented groups far
above the arithmetic mean income, even in states with relatively high income
per capita.

TABLE 9

Characteristics of Family Income Distributions
Regions and Community-size Groups, 1935-1936

Part A   Regions and Community-size Groups Treated Separately

REGIONS AND COMMUNITY-SIZE GROUPS	NO. OF FAMILIES (mill.) (1)	MEDIAN INCOME ($) (2)	ARITHMETIC MEAN INCOME ($) (3)	RATIO OF MEAN TO MEDIAN (4)	% OF FAMILIES WITHIN 75-125% of Median (5)	50-150% of Median (6)
Regions—All Families						
1 New England	2.0	1,230	1,810	1.47	34.8	62.6
2 North Central	14.6	1,260	1,786	1.42	31.3	57.9
3 South	8.8	905	1,326	1.47	24.5	49.1
4 Mountain & Plains	1.9	1,040	1,363	1.31	27.0	52.1
5 Pacific	2.1	1,335	1,775	1.33	31.5	60.1
Community-size Groups—Nonrelief Families						
6 Metropolises	(3.3)2.8	1,730	2,704	1.56	34.5	62.3
7 Large cities	(5.6)4.7	1,560	2,177	1.40	31.8	60.1
8 Middle sized cities	(3.2)2.6	1,360	1,813	1.33	32.1	60.9
9 Small cities	(4.9)4.1	1,290	1,653	1.28	31.7	59.1
10 Rural nonfarm	(5.7)4.6	1,210	1,607	1.33	31.3	57.6
11 Farms	(6.8)6.2	965	1,259	1.30	29.1	56.2

Part B   Regions and Community-size Groups, Cross-classified (nonrelief families)

COMMUNITY-SIZE GROUPS AND ITEMS	New England (1)	North Central (2)	South (3)	Mountain & Plains (4)	Pacific (5)
Number of Families (millions)					
12 Metropolises	...	2.81	...	...	...
13 Large cities	0.48	2.07	1.15	0.18	0.78
14 Middle sized cities	0.37	1.39	0.57	0.10	0.18
15 Small cities	0.36	2.05	1.06	0.28	0.32
16 Rural nonfarm	0.25	1.88	1.74	0.41	0.31
17 Farms	0.15	2.13	3.10	0.54	0.25
Median Income (dollars)					
18 Metropolises	...	1,730	...	...	...
19 Large cities	1,361	1,646	1,484	1,607	1,544
20 Middle sized cities	1,326	1,370	1,271	1,571	1,392
21 Small cities	1,419	1,293	1,094	1,493	1,545
22 Rural nonfarm	1,457	1,163	1,159	1,341	1,433
23 Farms	1,184	1,236	780	860	1,349
% of Families within 75-125% of Median					
24 Metropolises	...	34.5	...	...	...
25 Large cities	33.6	34.6	24.8	32.2	34.3
26 Middle sized cities	36.9	34.5	20.4	39.7	36.9
27 Small cities	37.6	33.4	25.3	33.7	36.4
28 Rural nonfarm	39.2	37.0	23.8	32.9	36.8
29 Farms	36.1	35.9	31.4	26.7	28.4

LINE

1-11 Based on distributions, 1935-36, in *Consumer Incomes in the United States,*
particularly Table 10A, p. 75; Table 6, p. 22; Table 7, p. 23; Table 12B,
p. 98; and Table 9B, p. 97. Entries in parentheses in col. 1, lines 6-11, are
the numbers of families (in millions), including relief.

and to the greater prevalence of these low income areas in some regions than in others (lines 18-23). Although income per family is lowest in the South for every community-size group except large cities, in the Mountain and Plains region only farm family income, and somewhat less consistently, rural nonfarm is lower. In urban communities average income per family in the Mountain and Plains region is not lower than in other regions. Again, in the South and in the Mountain and Plains region the proportion of farm families, whose incomes are usually low, is greater than in other regions: over 40 percent in the South and over 35 percent in the Mountain and Plains region, as compared with less than 10 percent in New England, somewhat over 15 percent in the North Central, and almost 15 percent in the Pacific region (see lines 12-17).

Thus, in terms of the groups in Table 9, the community-size differences in income levels appear more prominent and more consistent than the regional. Income per family declines consistently as we pass from the very large urban communities to the smaller cities, to rural nonfarm areas, and finally to farms (lines 6-11, col. 2 and 3). There is similar consistency in the Mountain and Plains region and, in less degree, in the North Central and the South (lines 18-23, col. 2 and 3); and even in the other regions income per farm family is lower than income per family in all other community-size groups.

Both regions and community-size groups show the expected marked skewness to the right in the distribution of family income. It is more appreciable in New England, the North Central region, and the South than in the Mountain and Plains, and the Pacific region (lines 1-5, col. 4). More significant perhaps is the fact that it diminishes as we pass from the big cities to the smaller, then rises as we pass to the rural communi-

Notes to Table 9 concluded
The population ranges for the nonfarm communities (lines 6-10) are:

Metropolises	1,500,000 and over
Large cities	100,000 to 1,500,000
Middle sized cities	25,000 to 100,000
Small cities	2,500 to 25,000
Rural nonfarm communities	Under 2,500

12-18 From *ibid.,* Table 24B, p. 101, and Table 7, p. 23.
19-29 Calculated from distributions in *ibid.,* Tables 14B-18B, pp. 98-9.

ties and farms (lines 6-11, col. 4). The bigger the city the more opportunity obviously for families with incomes large enough to extend the right tail of the distribution—an expected corollary of the greater importance in these larger cities of pursuits that afford a likelihood for such very high incomes (independent professional practice and business). In the nonurban areas the absence of a large employee class may contribute to greater skewness.

Inequality in distribution by size as measured by the proportion of families whose incomes are 25 or 50 percent above or below the median income, is greatest in the regions with the largest proportion of farm or rural families—the South and the Mountain and Plains region (lines 1-5, col. 5 and 6); these are also the regions where the difference betw:en farm and nonfarm family incomes is greatest (lines 18-23). Measured similarly for community-size groups, inequality is greatest among farm families and least in metropolitan communities (lines 6-11, col. 5 and 6).

When we cross-classify regions and community-size groups, the greater range of differences among family incomes in the South is true of most community-size groups (lines 24-29), but no other interregional difference in family income inequality appears consistently. Curiously enough, there is also little consistency in intercommunity-size group differences in the inequality of family income. Perhaps the data and the measures are not sensitive enough to reveal them.

The general impression of this analysis of income by states, regions, and community-size groups is the dominance of the rural-urban differential in levels of per capita or per family income, and the additional association between these levels and the proportion of income from property. As far as dispersion or inequality is concerned, a wide variety of factors seems active, no one of which is outstanding, at least in the data and measures available. In some regions inequality is greater in rural areas than in urban; in others it is less. In some regions, notably the South where the disparity in income between white and negro families is wide, inequality is consistently greater than in other regions, for most community-size

groups. The size distribution of income is like an enormous mosaic made up of regional, community-size, occupational, industrial, and noneconomic (race, nativity, etc.) group differences. All affect the income level and the characteristics of its distribution within any considerable population group. Indeed, in the distribution of income among individuals and families, we are at a point where the functioning of the economy impinges directly upon the activities and lives of the millions and where the variety of factors that determine their manifold grouping begins to be reflected in numerous differentials in income levels and dispersions. At this point analysis cannot be pushed much further without the assistance of what, for want of a better term, might be designated economic sociology, concerned with the anatomy and physiology of social groupings, whose characteristics affect the income receipts and disbursements of their members.