RELATION OF THE DIRECTORS
TO THE WORK AND PUBLICATIONS
OF THE NATIONAL BUREAU OF ECONOMIC RESEARCH

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The Board of Directors is charged with the responsibility of ensuring that the work of the National Bureau is carried on in strict conformity with this object.

2. To this end the Board of Directors shall appoint one or more Directors of Research.

3. The Director or Directors of Research shall submit to the members of the Board, or to its Executive Committee, for their formal adoption, all specific proposals concerning researches to be instituted.

4. No report shall be published until the Director or Directors of Research shall have submitted to the Board a summary drawing attention to the character of the data and their utilization in the report, the nature and treatment of the problems involved, the main conclusions and such other information as in their opinion would serve to determine the suitability of the report for publication in accordance with the principles of the National Bureau.

5. A copy of any manuscript proposed for publication shall also be submitted to each member of the Board. For each manuscript to be so submitted a special committee shall be appointed by the President, or at his designation by the Executive Director, consisting of three Directors selected as nearly as may be one from each general division of the Board. The names of the special manuscript committee shall be stated to each Director when the summary and report described in paragraph (4) are sent to him. It shall be the duty of each member of the committee to read the manuscript. If each member of the special committee signs his approval within thirty days, the manuscript may be published. If each member of the special committee has not signed his approval within thirty days of the transmission of the report and manuscript, the Director of Research shall then notify each member of the Board, requesting approval or disapproval of publication, and thirty additional days shall be granted for this purpose. The manuscript shall then not be published unless at least a majority of the entire Board and a two-thirds majority of those members of the Board who shall have voted on the proposal within the time fixed for the receipt of votes on the publication proposed shall have approved.

6. No manuscript may be published, though approved by each member of the special committee, until forty-five days have elapsed from the transmission of the summary and report. The interval is allowed for the receipt of any memorandum of dissent or reservation, together with a brief statement of his reasons, that any member may wish to express; and such memorandum of dissent or reservation shall be published with the manuscript if he so desires. Publication does not, however, imply that each member of the Board has read the manuscript, or that either members of the Board in general, or of the special committee, have passed upon its validity in every detail.

7. A copy of this resolution shall, unless otherwise determined by the Board, be printed in each copy of every National Bureau book.

(Resolution adopted October 25, 1926 and revised February 6, 1933 and February 24, 1941)
FOREWORD

The general design of this study was conceived and some calculations initiated in the late 1930's, in the course of work on National Income and Its Composition, 1919-1938 (1941). But while we recognized that distinguishing the shares of upper groups would lend additional interest and value to the other analysis of our national income totals, it soon became evident that the estimates needed would be so difficult as to delay by years the report then under way. It was therefore decided to postpone the present study until after completion of National Income and Its Composition. Work was resumed in 1941, but the pace was slow because attention had to be concentrated on other topics. Indeed, full emphasis on this study became possible only late in 1946, and the major part of the work occupied the next four years. The report was substantially completed in 1950.

Throughout these years I had the invaluable assistance of Elizabeth Jenks and Lillian Epstein. Miss Jenks carried the burden of the work, of the several revisions of estimates and analysis, and of the innumerable details attendant upon seeing the report through its various phases. The study owes much to Miss Jenks' perseverance and patience, and to Miss Epstein whose other duties allowed of only intermittent help.

In the course of work, aid in obtaining unpublished materials was kindly and promptly given by various data collecting agencies, particularly the Bureau of Internal Revenue, the Bureau of the Census, and the Survey Research Center at the University of Michigan. I am indebted to Thomas C. Atkeson and Marius Fazioletti of the Bureau of Internal Revenue; A. Ross Eckler of the Bureau of the Census; and George Katona of the Survey Research Center. O. C. Stine of the Bureau of Agricultural Economics, Selma F. Goldsmith and Charles F. Schwartz of the National Income Division of the Department of Commerce, and Duncan McE. Holthausen and Ralph A. Young of the Research Division of the Federal Reserve Board were also helpful. And I am indebted to my friends Hildegard Kneeland and Clark Warburton for unpublished estimates and data from their files.

The report was reviewed by a committee of the National Bureau staff. It benefited from comments by Ruth P. Mack, Thor Hultgren, and espe-
FOREWORD

Cicially those by Geoffrey H. Moore. A preliminary and brief version was presented for discussion at the spring 1949 meeting of the Conference on Research in Income and Wealth. I profited greatly from the various critical suggestions made at that meeting.

Martha Anderson edited the volume, and contributed much to its readability. H. Irving Forman is responsible for the charts.

My sincere thanks go to one and all.

Simon Kuznets

CONTENTS

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FOREWORD</td>
<td>vii</td>
</tr>
<tr>
<td>INTRODUCTION AND SUMMARY</td>
<td>xxvii</td>
</tr>
<tr>
<td>1 Aim of the Study</td>
<td>xxvii</td>
</tr>
<tr>
<td>2 The Basic Procedure</td>
<td>xxix</td>
</tr>
<tr>
<td>3 Variants and Definitions</td>
<td>xxxii</td>
</tr>
<tr>
<td>4 Major Findings</td>
<td>xxxv</td>
</tr>
<tr>
<td>5 Directions of Further Inquiry</td>
<td>xxxix</td>
</tr>
</tbody>
</table>

Volume One

PART I

LEVEL OF AND CHANGES IN SHARES

CHAPTER 1 AVERAGE LEVELS OF INCOME SHARES, 1919-1938 1
1 Income Shares, Upper Groups of Total Population 3
2 Income Shares, Upper Groups of Nonfarm Population 15
3 Level of Shares by Type of Income 17
4 Type-Structure of Upper Group Incomes 25
5 Redistribution by Omitting or Equalizing Property Incomes 27

CHAPTER 2 CHANGES IN INCOME SHARES OVER TIME, SEVERAL VARIANTS, 1913-1948 32
1 Changes since 1939 32
2 Changes in Decade Averages 43
3 Changes during Business Cycles 48
4 Changes in Inequality within Upper Groups 58

CHAPTER 3 CHANGES IN INCOME SHARES BY TYPE, 1919-1948 63
1 Changes since 1939 64
CONTENTS

2 Changes in Decade Averages 73
3 Changes during Business Cycles 83

PART II
CHARACTERISTICS OF UPPER INCOME GROUPS 93

CHAPTER 4 STATISTICAL DETERMINANTS OF UPPER INCOME SHARES 95
1 Income Unit 95
   a) From recipient to spending unit 96
   b) From spending unit to person 104
   c) From spending unit to 'equivalent adult' 107
   d) Concluding comments 109
2 Income Scope 110
   a) Total and money income 110
   b) Total and economic income 114
   c) Total income and net income, tax definition 115
3 Combination of Income Types 117
   a) Extent of combination: top group and all tax returns 117
   b) Effect of combination on share of top group 120
   c) Effect of combination on shares of groups below the top 127
   d) Implications 130
4 Mobility into and out of Upper Income Groups 131
   a) Evidence 131
   b) Mobility and share of top income group 139

CHAPTER 5 SOCIAL CHARACTERISTICS OF UPPER INCOME GROUPS 141
1 Sex and Age 142
2 Education, Occupation, and Industry 146
3 Size of Spending Unit 157
4 Place of Residence 159
5 Expenditure-Income Patterns 165

PART III
INCOME AND SAVINGS 171

CHAPTER 6 SHARES OF UPPER INCOME GROUPS IN SAVINGS 173
1 Setting of the Problem 173
2 Effect of Changes in Savings-Income Ratios on Changes in Shares in Individuals' Total Savings 179

PART IV
DERIVATION AND CHARACTERISTICS OF THE ESTIMATES 241

CHAPTER 7 COVERAGE OF FEDERAL INCOME TAX RETURNS 243
1 Tax Return Population 243
2 Tax Return Income 253
3 Net Deficit Returns 262
4 Relative Income Levels, Tax Return and Total Population 264

APPENDIX 2 267
Section A: Tabular Summary of the Analysis of Federal Income Tax Returns by Individuals, 1919-1948 268
Section B: Special Notes on the Analysis for 1913-1918 274
Section C: Statistics of Income Revisions 277

CHAPTER 8 THE BASIC VARIANT 279
1 Basic Variant, Total Population 280
2 Coverage of Farm Population by Tax Returns 285
3 Basic Variant, Nonfarm Population 294

APPENDIX 3 301
Section A: Sample Calculation of Income Share of Top 1 Percent, Basic Variant, Total Population, 1929 302