Chapter III takes up the problems faced by the income statistician and summarizes the methodology and statistical material utilized in estimating the national income of many countries. Reference is made to the controversial issues involved in differences of definition, to the principal supporters of opposing views, and to the arguments by which the latter defend their respective positions.

In Chapter IV an ingenious technique is utilized for measuring the influence of changing price levels on incomes. Here the conclusion is reached that "the very rich gain relatively in income with a high price level, and lose relatively with a low, their income being highly sensitive to the effects of such changes."

Finally, Chapters V and VI deal with inheritance and the use of alcohol as economic factors influencing the production and distribution of wealth and income.

The book represents a timely addition to the literature of the field and to the author's earlier works—being of particular value in connection with his *Current Problems in Finance and Government*, *Wealth and Taxable Capacity*, and *British Incomes and Property*. Its application to practical problems of the day is assured by its author's intimate understanding of taxation, national debt, and related questions—gained through his long service on British and international boards of inquiry and commissions.

CLEONA LEWIS

Brookings Institution
Washington, D. C.

Wages and Income in the United Kingdom since 1860, by A. L. Bowley. Cambridge: at the University Press. New York: The Macmillan Company. 1937. xix, 151 pp. $2.50.

This book presents a compact summary of Professor Bowley's studies on the subject of wages and their share in the national income in the United Kingdom. Utilizing largely his own writings, which date back to 1895 and cover the period since 1880, revising them at points where such revision can easily be made in the light of recent data, and supplementing them by a few references to other studies, the author discusses briefly money wages, real wages, some aspects of the distribution of earnings, the relation of earnings to needs, the total wage bill, and the share of total wages in the national income. Six appendices present some of the more technical aspects of the measures. An extensive bibliography of the author's writings, supplemented by a brief bibliography of the more important studies by other authors, provides references to the statistical groundwork of the summary estimates discussed in the text.

The estimates refer largely to the period from 1880 to the World War, a few measures are provided for the years back to 1860, and a great deal of scattered information for the postwar years. The broad features of the long-time changes which these measures reveal are of great interest. Per capita money wages rose from about 59 in 1860 (1914 = 100) to 100 in 1914 and to about 187 in 1930–36. The more significant index of per capita real wages rose from 51 in 1860 to 100 in 1914 and to 129 in 1936. Although the data on the distribution of earnings by size are inconclusive, they tend to suggest for the prewar period a constancy in the relative range as measured by the extreme deciles or the first and third quartiles. The comparison of earnings with needs, based on rather fragmentary data, indicates a significant improvement in the position of wage-earning classes, reflected in a decline in the proportion of families below the poverty line. The total national wage bill showed a greater increase than per capita wages, owing to the increase in the number of wage earners; but this upward trend was damped by increasing unemployment, the index for employment showing a decline from 94.4 for the decade 1880–89 (1914 = 100) to an average of 82.2 for the period 1930–36. In the prewar years, for which comparable data are available, real wages per wage earner rose from 1880 to 1913 as much as did real income per occupied person; but both of these indexes showed a somewhat smaller rise than income per head of population, because of the growing ratio of the occupied population to the total population. Finally, "there was no important change in the proportion of earned to total income between 1880 and 1913 or between 1911, 1913 and 1924 . . . " (p. 97). The suggested stability in the share of wages in the national income appears to hold after 1924 as well.

The above is but a brief summary of the more outstanding conclusions. They are qualified in the discussion and amplified by indication of variations over the different periods in the rate at which the tendencies observed have manifested themselves. The conclusions provide valuable material for anyone interested in the secular movements in wages and the distribution of the national income among functional categories, and suggest a number of significant problems calling for further exploration. Thus, one important conclusion on which Professor Bowley lays stress—the stability of the share of wages in the national income—raises interesting questions as to the mechanism by which such stability was obtained. As the author points out: "It is remarkable that we get very nearly the same percentage, 40 to 43, according to the definition of income, from 1880, or even from 1860, to 1935 . . . " and "this approximate constancy is the more remarkable in view of the fact that the manual-labour class has formed a proportion of the occupied population that has diminished since 1880" (p. xvi). Such stability would not presumably be observed in the share of wages in the income orginating in the various industries in the United Kingdom, and the crude data for the United States suggest that in this country no such stability was observed over similar periods even for the national economy as a whole (the information, however, is available only for the combined share of wages and salaries). The problem of why and how such stability was attained in the United Kingdom is one that would repay study by statisticians, historians, and economists.

In conclusion one should note the admirable soberness and caution of Professor Bowley's treatment, his awareness of the pitfalls of the data and of the manifold aspects of the questions upon which the data shed light, and the dry humor and pithiness of some of his comments. These characteristics make the reading of this compact volume not only a profitable but also a pleasant task.

SIMON KUZNETS

National Bureau of
Economic Research

Personal Income Taxation, by Henry C. Simons. Chicago: University of Chicago Press. 1938. xi, 238 pp. $2.00.

The author presents an analysis of numerous definitions of income for taxation and advances proposals for reforms in keeping with his definition of income and his theories of taxation. The greatest confusion is found among economists, with but few exceptions, in their definitions of income. Professor Simons declares that income "connotes, broadly, the exercise of control over the use of society's scarce resources." It is "the algebraic sum of (1) the market value of rights exercised in consumption and (2) the change in the value of the store of property rights between the beginning and the end of the fiscal period." He states, again, "the appropriate general conception of income for purposes of personal taxation may be defined as the algebraic sum of the individual's consumption expense and accumulation during the accounting period." He finds his definition of income similar to the definitions of Schanz and Haig. He rejects the well-known concept of Fisher that relates income to consumption but which excludes changes in capital.

The author regards the mitigation of inequality in the distribution of income as an essential purpose of taxation. Toward this end he favors progressive personal income taxation. Taxes on persons should occupy a major position in the tax system, while taxes on things should be of minor importance. Personal income taxation would be substituted for various commodity and payroll taxes. The following proposals would be incorporated in a general tax on personal incomes: (1) Exemptions of receipts by kind would be eliminated, (2) income in kind from the more durable types of consumer capital used by owners would be included in taxable income, (3) gifts, inheritances, and bequests would be counted as part of the recipient's income in the year received, and be subject to a supplementary personal tax in a cumulative form, (4) gains on assets that have appreciated in the owner's possession would be taxed at the time of sale and realized losses would be fully deductible, (5) income taxes would be adjusted for average income over five years, under certain conditions, (6) the tax rates on the lower in-