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The American "Income Revolution"

Gabriel Kolko

FEW claims concerning the direction of the American economy have been more important to social and political theory than the assertion that income has been radically redistributed. The theoretical systems built around this theme have captured the imagination of a very substantial proportion, if not the majority, of social scientists.

Most of the commentators asserting that a radical redistribution of income has taken place over the past 20 years focus their attention on the relative positions of the upper one per cent and the upper five per cent of the income earners. While the economic status of these groups is doubtless of great importance, no discussion of income distribution which ignores the over-all relative position of *all* income groups can provide the context in which empirically founded generalisations can be made. For a grasp of the relative position of all income groups, the following table is crucial.

From the above figures it can be seen that the percentage of income going to the lowest three-tenths of those earning incomes has declined over the past 40 years, while the share of the next two-tenths has remained stable. The fifth highest tenth has remained relatively stable, and in no category can one find what even remotely approximates a radical shift. This fact will become even more apparent in the discussion on after-tax distribution, income-in-kind, savings, and tangible holdings of economic wealth.

The importance of "income-in-kind"—home grown food, free housing, relief, company expense accounts, etc.—in the distribution of income has only recently become clear. In addition, trends in income distribution must take into account the tendency of groups to underestimate their income for obvious tax reasons. Calculating the significance of these factors is subject to some arbitrary estimates, but certain detailed information, especially in regard to home produced food, charity, and non-money gifts is available. None of these factors has been taken into account in the previous chart.

Contrary to common belief, the dollar value of income-in-kind in rural areas tends to *increase* with the money income position of the recipient. No adequate calculations of income-in-kind going to the top income groups since 1941 is available, but since the Second World War and the subsequent introduction of higher taxation, the importance of "expense account" living for many in the upper income groups has been acknowledged by most economists. So while the poor farmer may grow his own vegetables and chop wood for fuel, the businessman or corporate executive may often have his car, fuel, vacations, and meals for himself and even his family marked off as business expenses. While no precise values can be given to such income-in-kind, it should be remembered as a crucial factor in income distribution analysis.

Of perhaps equal importance is the tendency for incomes to be understated and exemptions overstated. The majority of these cases occur in upper income groups which, unlike most white collar and factory workers, usually do not have their taxes deducted in advance and often have additional dividend, interest, rent, and cash fee incomes which are extremely difficult for the government to keep account of.

One recent study of income data reports that "... the non-reporting rate tended to be higher in blocks with higher rent levels and with larger proportions of families at upper income levels, ranging from about 1 per cent at the under \$1,000 level to 35 per cent at the \$10,000 and over level."¹ All this indicates, as Simon Kuznets has stated, that present estimates of wealth in upper income groups are "... subject to a downward bias of unknown proportions . . ."2

It has become something of a stock argument that despite the great inequality of money income in the United States, the impact of taxation has compensated for the disparities. Reliable data for after tax income distribution before 1947 does not exist, but since this equalitarian situation is said to be a result of government and trade union pressures over the past 20 years, it should, be reflected in recent figures.

The following table indicates the proportion of income received by each tenth of the spending units after federal income taxes.

When considered by tenths of spending units, the assertion that high tax rates have radically reshifted income is unfounded. Indeed, the slight shifts in after-tax distribution shown in Table 2 are of small importance, since they ignore the fact that all income groups show a net reduction in dollar income after taxes and that the vast bulk of the tax revenue is spent on armaments rather than welfare for lower income groups.

That there has been a significant change in income distribution after taxation thus remains an unproven assertion. Despite the increase in tax rates for upper income groups initiated by the New Deal, the federal receipts from personal income taxes in 1929 and 1940, when the size of the national personal income was almost identical, were about the same. The lethargy of the New Deal towards the rich was changed by the necessity of winning a war, but the "transformation" which ensued hardly affected, as I shall later illustrate, the economic power of the upper five per cent.

From the point of view of access to economic status symbols, the position of the upper tenth of the nation's income earners should be the dominant concern of students of social inequality in America. For in almost any given year the average dollar income of the upper tenth of the income earners will be twice as high as the average income of the next highest income tenth, and about 25 to 30 times higher than the average income of the lowest income tenth. Recent assertions on the purported tendency towards income equalisation have concentrated on the position of the upper five per cent of the income earners and the decline of the number of annual tax returns at very high figures—\$100,000 and up. This latter assertion is of little relevance, since if it can be shown that the centralisation of economic power and status symbols has not moved out of the control of a small economic elite, then the problem of the elite's relation to society remains with us despite minor shifts within the elite itself.

¹ National Bureau of Economic Research, *Studies in Income and Wealth*, New York, 1951, vol. 13, /). 518.

² Simon Kuznets, *Shares of Upper Income Groups in Income and Savings*, New York, 1953, p. xxx.

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The study by Simon Kuznets on the relative shares of the upper one per cent and five per cent of the total population is frequently cited as proof of the equalisation of income. Kuznets' study ignores the factor of expense account living and the tendency of upper income groups to under-report taxable dividends, rent and interest by as much as 50 per cent. His data, however, at no point implies an income redistribution *throughout the population*, and Kuznets can be absolved of responsibility for the extravagance of his interpreters.

The Department of Commerce provides more data on the relative distribution among the top five per cent of the consumer units (families and unattached individuals) as opposed to Kuznets' calculations on individual income returns reporting the highest per capita income.

It is obvious from the preceding figures that taxation has only a minor impact on the relative shares of the economic elite, and that this is so can be easily understood from the tremendous disparity between actual tax rates on the highest incomes, and the legal rates which overawe most of the commentators on income distribution. In 1951, with the theoretical tax rate on \$1 million incomes at 92 per cent, only 62 per cent of the \$1 million and up incomes were effectively taxed.³ A large part of the tax rate has been avoided by the manipulation of capital gains income by the economic elite, and through other devices to be discussed later.

The most important cause of the reduction of the share of the upper five per cent is attributed by Kuznets to the relative decline in dividend income as a percentage of the total income among this group since the beginning of World War II—while dividends to the lowest 95 per cent have also decreased.⁴ Yet corporate profits have increased since World War II and, as I shall later show, the ownership of stock is at least as concentrated to-day as it was in the 1930's. The difference—undistributed profits—will be discussed later in this section.

Tax evasion

The increase in tax rates since 1941 has naturally stimulated the desires of the economic elite to receive income which will be taxed at preferential rates. As a result,

Many companies, large and small, have adopted one or more of what are euphemistically called "tax deferral plans." Whether it be profit-sharing trust or a contingent deferred compensation contract, or something else with a fancy name, the basic aim of each plan is generally about the same—to put off the executives' income until after retirement, when they are expected to be in a lower tax bracket.⁵

The income is placed in a trust which accumulates tax free interest or dividends. When the executive retires his income from the trust is taxed at the much lower capital gains rate.

As a result of these and other tax-avoidance devices, there has been a shift among the economic elite away from the above \$50,000 a year income categories into the \$15,000-50,000 range. Needless to say, their deferred income would make a significant difference if it were included in the figures on income distribution.

Capital gains, which go overwhelmingly to those above the \$10,000 a year income brackets, are probably the most important scheme now used for avoiding taxes. Capital gains, or income from the sale of stocks, property, etc., held

³ *Wall Street Journal*, June 30, 1954, p. 1.

⁴ See Kuznets, *Shares*, 1953, p. 668-677.

⁵ Arch Patton, "Executive Compensation: Tax Gimmicks vs. Incentives," *Harvard Business Review*, Nov.-Dec. 1953, p. 113.

more than six months, are taxed at a maximum rate of 26 per cent as compared to the top theoretical income tax rate of 92 per cent.

Less important devices include tax exempt interest on state and local bonds, tax free interest on savings invested through insurance companies, and stock options for executives which allow them to purchase their corporation's stock below the market price and have the profits taxed at capital gains rates.

In addition, trusts enable the rich to split family property into smaller units so that each income is taxed at lower tax rates. Under the 1952 tax schedule it is possible to save as much as 70 per cent on annual taxes of the income of property placed in a trust. As the recent study of the Butters group shows, the use of such devices is restricted almost wholly to the rich.

A factor of exceptional importance in measuring the economic power of the economic elite is undistributed profits. In closely held corporations undistributed profits can often be realised at some later date when tax conditions are expected to be more favourable. Undistributed profits that are divided later are taxed at the capital gains rates, and sometimes they are free of taxes altogether. In 1929 undistributed profits constituted 3.2 per cent of the private national income. With the advent of serious taxation in 1941 they rose to 5.3 per cent and in 1950 were 6.3 per cent of the private national money income. Since, as I will later show, corporate dividends go overwhelmingly to the economic elite, undistributed profits represent economic power held by groups within the economic elite which, if distributed, would go almost exclusively to the upper five per cent.

The role of saving

Power in the hand of the economic elite, in addition to money income, can exist in a number of forms. First, it can take the shape of control of investment funds and available savings, which can be significant factors in the creation and/or prevention of economic crises. Second, it can take the form of influence over the corporate and business structure, either by the control of stock holdings or managerial positions. Third, economic power, especially when accompanied by the first two factors, often controls political institutions and public media. In this section I will deal with aspects of the first two forms.

It is one thing to talk about the disappearance of a moneyed elite based on very high annual incomes, quite another to talk about the disappearance of a moneyed elite altogether.

Figures on savings and stockholding suggest the extent to which minor fluctuations in income distribution will affect the position of the upper income groups in non-money-income economic power. Here, the figures show, if not increasing concentration, at least stability in the power of the economic elite.

From the point of view of power distribution, not only the relation of managers to stockholders, but the relation of the corporation to society is important. In the following section I give data on changes in stockholding concentration, mainly as an example of the extent to which the economic elite controls economic assets, and secondly to suggest necessary revisions in the theory about a purported separation between managers and stockholders which over the past two decades has assumed such an important part in discussions on power in America. The implications to social theory developed from this latter proposition are crucial. Riesman, for example, on the assumption that the separation has occurred, implies that the removal of managers from stockholding has meant they are generally above mundane considerations in their relations to labour and society, and are therefore

leaders in the movement towards an "other-directed" culture. Adolf Berle, Jr., probably the co-initiator of the entire thesis, has even gone so far as to declare "The corporation is now, essentially, a non-statist political institution, and its directors are in the same boat with public office-holders."⁶ Thus, using the dispersal of holdings and the separation of stock-ownership from management as a rationale, it has become possible for writers such as Berle and David Lilienthal to justify monopoly in terms of the public welfare.

Income inequality is partly reflected in the preceding charts, but the distribution of economic power can be understood fully only when tangibles such as net savings distribution, liquid assets, and stock ownership are correlated to specific groups within the income distribution spectrum. By measuring changes in these tangibles, one is better able to understand the full significance of income distribution changes related to the problem of "who owns what" in America beyond annual income receipts.

The following table indicates the extent to which net savings have been distributed among each tenth of the nation's spending units since 1929.

Except for 1945, when the backlog of wartime saving reached its peak, the upper tenth of the income earners has managed consistently to control the vast bulk of net savings.

Liquid assets

Another criterion for judging the relative changes in the economic position of the elite is liquid assets.

Since 1947 the top tenth of the nation's spending units have owned from 36 to 44 per cent of the liquid assets, while the lowest tenth have owned from three to five per cent. Nevertheless, liquid assets holdings are far from being universal, and when they do not exist among lower income groups usually they are without savings for the inevitable "rainy day."

In 1947 about 22 per cent of the spending units, all earning less than \$5,000, held no liquid assets, but in 1952 and 1955 about 27 per cent of the spending units, all earning less than \$5,000, held no liquid assets. This rise is an important fact for any serious discussion of the national economy.

Stock ownership reflects the ability of economic groups to invest, and investment roughly reflects the margin of surplus income concentrated among various economic groups. Although no systematic comparative studies of stock ownership and concentration have been made in recent years, accurate miscellaneous data is available for the years 1927-37 and the post-World War II period.

By and large, the bulk of all stock is concentrated within a very small group in the economic elite, and according to available figures, has been for at least two decades.

The TNEC study of the share distribution of 1,710 corporations in 1937-39 indicates that the top 4.0 per cent of the stockholders of common shares held 64.9 per cent of the stock, while the lowest 56.2 per cent of the shareholders held 4.9 per cent of the common stock. The Brookings study of the share distribution of 2,991 corporations in 1951 indicates that the top 2.1 per cent of the common stock shareholders held 58 per cent of the stock, while the lowest two-thirds of the stockholders held about 10 per cent of the common stock. The Brookings study indicates that in 1951 the top 1.1 per cent of the preferred stockholders held 46 per cent of the preferred stock,⁸ while the lowest 82 per cent of the holders owned 20 per cent of the preferred stock. These figures

⁶ Adolf A. Berle, Jr., *The 20th Century Capitalist Revolution*, New York, 1954, p. 60.

⁷ Lewis H. Kimmel, *Share Ownership in the United States*, The Brookings Institution, Washington, D. C., 1952, p. 43.

suggest an increasing concentration of stockholding at the highest levels.

According to the Butters study, 65 to 70 per cent of the total marketable stock held in 1949 was controlled by groups with a total net worth of at least \$250,000—or a very small fraction of one per cent of the population.

These trends suggest that a very detailed investigation of which occupational groups own what percentages of all stock is needed, and that the thesis of the separation of management from stockholding, with all its theoretical implications, is now in need of serious retesting.

The information provided in the Survey of Consumer Finance data on ownership by occupation suggests a heavier concentration of major stockholding among the managerial groups to-day than among any others. In addition, in early 1952 only two per cent of the managerial class was found in the group owning more than \$25,000 in stock, as compared to five per cent in early 1955.⁹ The Brookings stock study in 1952 indicates that 44.8 per cent of the "high administrative executives," equal to 4.6 per cent of the total stockholders, held stock. 19.4 per cent of "operating supervisory officials" consisting of middle-level managers, department heads, etc., constituted 9.6 per cent of the total stockholders. A larger percentage among these two groups owned stock than any other occupational category, and save for housewives, "operating supervisory officials" were the largest single occupational group among stockholders. "Housewives" composed 32.8 per cent of the stockholders, but, especially since the Security and Exchange Act, this does not prevent the use of relatives by executives for many speculative or manipulative schemes, it would be vital information to learn their husbands' occupations.

The standard of living

The relative quantity, as well as the quality of consumption, is largely a function of income. Equality is a function of similar modes of life styles based on relative equality of income and consumption, so that the thesis of "massification" of status symbols is by necessity based on a concomitant change in income distribution. Sooner or later, where income is unequally distributed, the power of high income groups will also mean access to high prestige positions and symbols and a hierarchic structure of social stratification.

In the following section I will discuss the relative shift of consumer units receiving incomes below the level of "health and decency" set by Works Project Administration or Bureau of Labour Statistics since 1935-36.

Since 1935 there have been a number of reliable government studies of what constitutes what has alternately been called the "American," "maintenance," and "minimum health and decency" standard of living. In terms of social status and economic security,

. . . this level of living represents essentially a breaking point in our society. It divides the population into two groups, the lower of which is struggling to attain a physically more adequate existence. It is only above this level that people have enough¹⁰ to begin to think largely in terms of the quality of their living.

The WPA study and a subsequent National Resources Committee investigation form the basis of the post-war Bureau of Labour Statistics family budgets for cities, which are set at a level designed ". . . to maintain a level of ade-

⁸ *Federal Reserve Bulletin*, September 1952, p. 1001, and June 1955, p. 622.

⁹ *Bureau of Labour Statistics, Workers' Budgets in the United States: City Families and Single Persons*, 1946 and 1947, *Bulletin* 927, Washington, D. C., 1948,/.: 2.

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quate living according to pre-war standards prevailing in the large cities of the United States."¹⁰ In 1941 it required an average of \$1,367 to meet this level, in 1947 an average of \$3,300, an average of \$3,717 in 1950, and in 1951 an average of \$4,166.

Minor shifts of consumption appear in the post-war budgets, but in its essentials the quality of living is the same.

Any study of the percentage of spending units earning incomes below the "maintenance" level must take into account a large number of important variables, the most important of which is family size. According to the Bureau of Labour Statistics, a family of two needs 65 per cent of the maintenance budget for a family of four, a family of three needs 84 per cent, a family of five needs 115 per cent, and a family of six needs 129 per cent. Save for the WPA study of 1935 budget standards, there is no recent criterion for determining what is an "emergency" level. According to the WPA study it is 70 per cent of the maintenance budget, and those on or below this level are in poverty and exposed to serious health hazards. In this study I will assume 70 per cent of a maintenance budget as the emergency level.

Statistics indicate that *the concentration of large families below the maintenance level has remained constant since the WPA study in 1935.*

New fashioned poverty

The remarkable failure of the New and Fair Deals to significantly dent percentages of consumer units earning less than the maintenance level, much less the emergency level, in the post-war period is in itself in fundamental conflict with the "big change" thesis. Relatively low unemployment over the past 15 years has most assuredly made for a significant change in the causes of poverty. But in place of such "old-fashioned" causes as unemployment and low wages—causes that are diminishing in importance but still of real significance in many industries—have come "new fashioned" causes which provide ample justification for scepticism in regard to eulogists of the status quo.

The poverty originating in "new fashioned" causes is sociological and demographic in origin but economic in its consequences—and equally intolerable in human terms. The increased divorce rate, for example, has placed a larger number of traditionally lower paid women in the position of chief family earner, so that in 1949 thirty per cent of the lowest fifth of the income earners, as opposed to twenty per cent in 1939, were women living alone or as family heads. From 1940 to 1954 the percentage of women 14 years and up who were divorced increased from 1.6 per cent to 2.3 per cent.

Of greater importance is the unanticipated result of the social security system in placing larger numbers of ageing workers in the lowest income brackets. In 1930, 54 per cent of the males 65 years of older were in the labour force, as compared to about 41 per cent in 1950. A quarter of the families receiving less than \$2,000 a year in 1948 were headed by persons 65 years and over. By 1954 the proportion increased to almost a third, and 64 per cent of all spending units headed by a person 65 years and over earned less than \$2,000 (the average monthly old age assistance benefit in May 1956 was \$54.37). Similarly, the 65 years and over population has increased at a far more rapid pace than the total population since 1900, and as the proportion of the aged grows, the number of spending units living at a depressed income level will in all probability increase with them. Thus,

¹⁰ "City Workers Family Budget for October 1951," *Monthly Labor Review*, May 1952, p. 520.

as the retirement age is lowered for both humane and economically practicable reasons, larger numbers of the retired, particularly those who have not been able to accumulate any substantial savings, can expect a life of quiet desperation along with their long overdue leisure.

There are additional major "new fashioned" causes of poverty. The declining age at which marriage now takes place has put more families in lower income brackets during the period workers are below their peak earning capacity. Similarly, the growing percentage of workers aged 55 years to 64 has increased the proportion of workers well beyond their peak earning periods.

Full employment, while it has significantly decreased the *bulk* of poverty caused by unemployment, has not prevented inflation from forcing many wage and salary workers into low income categories. In 1935-36 about three per cent of the clerical workers fell among the lowest fifth of the spending units, as compared to 15 per cent in 1955. Concomitant to the declining economic position of an important sector of the clerical and sales workers is the growth of the entire group between 1940 and 1954 at a rate over twice as fast as that of blue-collar labour.

But the lowest income workers to-day are generally farmers, unskilled, service, and semi-skilled workers, with a generous portion of skilled and clerical workers who approach but do not reach the BLS level. Although they earn more than the \$2,000 erroneously assumed by Congressional committees to be the sole qualification for a low standard of living, many do not, or would not be able to maintain the ascetic BLS level for four. In all these groups Southern and especially Negro workers are over-represented.¹¹

H.P. and autos

Nevertheless, while many Americans earn incomes which would nominally place them below the minimum decency line, the tripling of the instalment debt since 1948 has made possible greater consumption for many who would otherwise be unable to enjoy *Business Week's* prosperity. But it is also true that the bulk of instalment buyers can be found among the \$4,000 to \$10,000 income groups—those already over the decency level or only slightly below it. Among the spending units earning less than \$3,000 in 1955, only a minority were obligated to any instalment debts in early 1956, and the bulk of these were for relatively small amounts. But about twice as many blue-collar workers, or 60 per cent, held some instalment debts in 1955 as compared to 1935. Should an extended recession or unemployment persuade a significant percentage to return to conservative buying habits more in line with their incomes, the cumulative impact on the economy would have enormous consequences on production and employment.

The majority of instalment purchases have gone into autos, and the distribution of auto ownership itself reflects the larger consumption patterns income inequality creates. Beyond its economic importance, however, the auto has become the hallmark of economic status and prestige rank idealised in the mass media and lived by the economic elite.

From 1917-19 to 1935 car ownership spread from 15 per cent of the consumer units to about 55 per cent. By 1941 it crept to 59 per cent, and in 1955 about 70 per cent of all consumer units owned some type of car. Given the vast

¹¹ Data taken from Herman P. Miller, *Income of the American People*, New York, 1955, pp. 173-186; *Sub-committee on Low-income Families, Joint Committee on the Economic Report, Characteristics of the Low-income Population and Related Federal Programs, & 4th Congress*, 1955; *Federal Reserve Bulletin*, July 1956, p. 703 ff.

increase in credit, the growth of auto ownership since 1941 cannot fail to impress one as being slight; nor can it be said that America's capacity to consume has been exploited anywhere near its full potential. Even in 1955 only 29 per cent of the 11 per cent of all consumer units earning less than \$1,000 owned autos, while 94 per cent of the top 14 per cent of the consumer units—those earning \$7,500 plus—owned cars. Between the two extremes was a pattern reflecting income inequalities.¹² The value of autos corresponds directly to income, so that in early 1955 less than one-half of one per cent of the consumer units earning less than \$2,000 who owned cars had models worth \$2,500 or more. Only three per cent of the car owners in the \$5,000-7,500 income category owned cars valued at \$2,500 or more. Yet 18 per cent of the car owners with an annual income of more than \$7,500 owned such models. The bulk of the new cars have always been purchased by members of the top income groups, most of the lower income groups restricting themselves by necessity to used autos. The same patterns exist for durable goods purchases of all sorts.

After all is said and done, therefore, abundance and full consumption has been denied a vast segment, if not the majority, of the nation's population. Given fundamentally the same income structure as existed either fifteen or fifty years ago, we have seen that *at any given time* a capitalist economic structure will create a grossly unequal income stratification, and with it the social and prestige stratification which unequal access to economic status symbols brings. So long as the present income structure exists, however, a full consumption and full production economy will be a pious but unrealisable goal for those insisting on the preservation of the fundamental economic inequalities which have flourished under Republicans and Democrats alike.

Conclusion

Robert Merton has written that the confident error generates its own spurious confirmation, so that a myth evolves and becomes self-perpetuating. There is no justification for this state of affairs in the writings of social theorists on income distribution. Despite the economists' general lack of interest in over-all income distribution patterns, enough data can be gleaned from government sources and existing monographs to suggest that the present social theorists are sorely misinformed on the facts of income distribution.

In the social theory based on such assumptions, the process of change is seen to be mechanistic in the tradition of naive versions of the idea of progress. In Riesman's *The Lonely Crowd*, for example, one finds notions strikingly parallel to the Marxist concept of the "progressive" stage of capitalism and an implicitly positive judgment on the necessary, and hence desirable, stage of our society in its development towards an "autonomous" culture. Despite the excessive conformity of the corporate bureaucrat, his being the leader of "other direction" justifies the institutional arrangement which he controls and which in turn has made it possible for our society to be evolving out of an age of "production" into an age of "consumption."

Consonant with a mechanistic view of progress, Riesman implies that radicalism in social and political problems is characteristic of "inner-directed moralising," and is in large part still a reactionary stage in national character development. As in laissez-faire or Marxism, Riesman sees justice impersonally evolving from bureaucracy, changes in population development, and mass consumption. Reason, social

¹² *Federal Reserve Bulletin*, June 1956, p. 567, August 1956, p. 820.

action, "inner-directed moralising" are not only vestiges of a society gone by, but ineffective as well.

The myth of income redistribution still arises from a general agreement among most theorists as to what constitutes economic and social "good." We wish relatively equal consumption not only because of the equalitarian tradition in American society, but because of a desire to create the economic stability which can arise only from mass consumption, and to avoid the totalitarian or disintegrated social order potential in every economy where large groups have no material "stake" in the value system. If we call into doubt the ability of our present economic order in achieving this egalitarian end, we challenge an institutional structure resting on mythos, interest, and inertia.

So the promise of America is seen as at least partially fulfilled by the new social theorists, but instead of emphasis being given to ends which are desired, the means have become the central focus. And since the means towards egalitarian ends are purported, in so many cases, to be dependent on a specific institutional arrangement fortuitously not too unlike that with which we live, the good society is supposed, to a significant extent, to have already been realised. Implicit in this notion is that the mechanics of progress and social change are impersonally involved with, and being settled by, a benevolent economic arrangement, and that social reform and individual participation in social action is irrelevant, if not damaging, in such a situation. As a result, there is no longer an important area in our democracy where radical reform or personal participation is possible.

Obviously, whether intended or otherwise, the present current in social thought which is dependent on the mythology of an effected radical income redistribution is a block to the formation of a rational institutional analysis of American society to-day. But the juggling of statistics, when theorists deign to resort to them, is not sufficient to change the reality with which the figures are said to correspond. The facts on income distribution suggest that the claim for an income redistribution over the past 40 years has yet to be proven. And this, in turn, suggests that most of the contemporary sociological and political concepts based on an income redistribution are more the product of a self-satisfied decade than the result of serious analysis.

Sources for tables overleaf

¹ *The figures for 1910 through 1937 are taken from the U.S. Bureau of Census, Historical Statistics of the United States, 1789-1945, Washington, D.C., 1949, Series A 185-194. Figures for 1941 through 1951 are taken from the Federal Reserve Bulletin, August 1948, p. 923, and September 1951, p. 1067. Subsequent figures are from Federal Reserve Bulletin, June 1956, p. 569.*

² *Statistical Abstract*, 1955, chart 353.

³ *Statistical Abstract*, 1952, chart 314 for definition and data.

⁴ *Office of Business Economics, Income Distribution in the United States by Size, 1944-1950, Washington, D.C., 1953, p. 15, 1950-51-53 data from Survey of Current Business, March 1955, p. 24.*

⁵ *Data for 1929 from Maurice Levin, et al, America's Capacity to Consume, The Brookings Institution, 1934, p. 96. Subsequent data from Federal Reserve Bulletin, August 1948, p. 923, and September 1951, p. 1067.*

⁶ *Temporary National Economic Committee, The Distribution of Ownership in the 200 Largest Non-financial Corporations, Monograph 29, Washington, D. C., p. 18. The T.N.E.C. did not prepare similar data for its study of 1,710 corporations in monograph 30.*

⁷ *These and subsequent figures were obtained by determining the percentages of each family below the adjusted maintenance level and calculating the total proportion of that family size's percentage of national consumer units.*

⁸ *All figures for 1947 from Statistical Abstract, 1949, charts 31 and 333. For 1950, from Statistical Abstract, 1952, chart 320, and Current Population Reports, p. 20, Feb. 12, 1951, p. 14.*

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TABLE 1: PERCENTAGE OF NATIONAL (MONEY) INCOME RECEIVED BY EACH TENTH OF RECIPIENTS, BEFORE TAXES

	Highest tenth	2nd	3rd	4th	5th	6th	7th	8th	9th	Lowest tenth
1910	34	12	10	9	8	7	6	6	5	3
1918	34	13	10	9	8	7	7	6	4	2
1929	39	12	10	9	8	6	5	5	4	2
1937	34	14	12	10	9	7	6	4	4	1
1941	34	16	12	10	9	7	5	4	4	1
1945	29	16	13	11	9	7	6	5	4	1
1947	33	15	12	10	9	7	6	4	4	1
1950	29	15	13	11	9	8	6	5	4	1
1953	31	15	12	10	9	8	6	5	4	1
1955	29	16	13	11	9	8	6	4	3	1

TABLE 2: PERCENTAGE OF NATIONAL MONEY INCOME DISTRIBUTION AFTER FEDERAL TAXES (Number in parentheses indicates change from before-tax income)

	1947	1949	1951	1955
Highest tenth	31 (-2)	28 (-2)	28 (-3)	28 (-3)
2nd	15	15	15	15
3rd	12	13 (+1)	13 (+1)	12
4th	10	11	11 (+1)	11 (+1)
5th	9	9	9	9
6th	8 (+1)	8	8	8
7th	6	7 (+1)	7 (+1)	7 (+1)
8th	5 (+1)	5	5	5
9th	3	3	3	4 (+1)
Lowest tenth	1	1	1	1

TABLE 3: PERCENTAGE OF INDIVIDUAL INCOME RECEIVED BY TOP 1% AND TOP 5%

	Top 1%			Top 5%		
	Income before capital gains, taxes, gifts and transfers	Taxable income	After tax income	Income before capital gains, taxes, gifts and transfers	Taxable income	After tax income
1910	12.8	14.0	12.2	22.9	26.1	24.2
1933	12.1	14.4	12.6	24.6	30.8	29.3
1937	13.0	14.1	13.0	24.1	28.5	27.4
1941	11.5	12.5	10.0	23.2	26.0	23.2
1942	10.2	10.6	7.9	19.2	22.7	19.2
1943	9.5	10.1	6.5	18.0	21.1	16.8
1944	8.7	9.1	6.7	16.8	18.9	15.9
1945	8.9	9.5	7.4	17.6	19.5	16.8
1946	9.1	9.7	7.8	18.4	20.2	17.9
1947	8.6	*	*	17.6	*	*
1948	8.5	*	*	17.8	*	*

* Not available

TABLE 4: PERCENTAGE OF MONEY INCOME RECEIVED BY TOP 5 PER CENT OF CONSUMER UNITS

	Before Taxes	After Federal Taxes
1944	20.7	*
1946	21.3	*
1950	21.4	19.2
1951	20.7	18.4
1953	20.7	18.2

* Not available

TABLE 5: PROPORTION OF NET SAVINGS ACCOUNTED FOR BY EACH TENTH OF THE NATION'S SPENDERS UNITS WHEN RANKED BY SIZE OF INCOME

	Per cent of total accounted for by each tenth:						
	1929	1941	1942	1946	1948	1949	1953
Highest tenth	86	73	46	63	78	105	73
2nd	12	15	18	16	19	26	20
3rd	7	6	13	14	15	13	11
4th	5	5	8	7	6	8	10
5th	3	5	5	4	6	1	4
6th	1	3	4	1	2	*	1
7th	*	1	3	2	1	4	1
8th	0	-1	3	1	-3	-8	*
9th	-1	-3	2	-3	-5	-6	-2
Lowest tenth	-13	-4	-2	-5	-17	-33	-16

* Less than 0.05%

TABLE 6

Number of Persons and Percentage of National Population receiving One-half of Cash Dividends¹²

	1927	1929	1931	1933	1935	1937	1949
Number of Persons (in thousands)	38	51	59	45	47	61	50-100
% of National population	0.032	0.042	0.048	0.036	0.037	0.047	ca. 0.01-0.02

Number of Persons and Percentage of National Population owning from 65 to 71 per cent of Marketable Stockholdings¹³

TABLE 7: PERCENTAGE OF NATIONAL CONSUMER UNITS EARNING LESS THAN THE W.P.A. MAINTENANCE AND EMERGENCY INCOME LEVELS, 1933-36

Size	% of National Consumer Units:	
	below maintenance level	below emergency level
2 persons family (no relief)	4.8	2.7
3-4 persons family (no relief)	12.8	5.5
5-6 persons family (no relief)	6.8	3.9
7 or more persons family (no relief)	4.0	2.9
Single men	6.2	3.8
Single women	5.1	2.9
Families receiving relief	ca. 9.1	ca. 6.6
Totals	48.8	28.3

TABLE 8: PERCENTAGE OF NATIONAL CONSUMER UNITS EARNING LESS THAN THE B.L.S. MAINTENANCE AND EMERGENCY INCOME LEVELS, 1947 AND 1950

Number of persons in household	% of National Consumer Units			
	below maintenance level		below emergency level	
	1947	1950	1947	1950
1	6.0	5.8	3.9	4.9
2	10.7	12.3	8.1	8.3
3	9.6	9.7	5.7	3.4
4	9.1	9.2	4.7	4.3
5	5.7	6.3	2.8	3.6
6	3.5	3.7	2.2	2.3
7 plus	4.0	4.3	2.9	3.2
Totals	48.6	51.2	30.3	32.0