

## CHAPTER VI.

## THE PRESENT SITUATION.—DISTRIBUTION OF INCOMES BY CLASSES.

THE national income estimated in the preceding chapter was, of course, the income from property, superintendence, and labor combined.

Its aggregate was about one-sixth of the value of the property of the nation.

The Shares  
of Capital  
and Labor.

In order to determine the relative shares of labor and capital, it is only necessary to remember that the ordinary rate of interest is neither the low rate customary upon railway bonds instantly convertible into cash, nor the high rate customary in active business. It is most conservatively measured by the average rate of interest upon real-estate mortgages. The usual rate of interest is somewhat higher than this. In many parts of the country the borrower frequently receives less than the amount of the mortgage, in order to cover the illegal rate of interest paid; and throughout the country purchase-money mortgages bear low rates. The average recorded rate, however, for the nation at large is  $6\frac{3}{4}$  per cent.<sup>1</sup> As the mortgagor

<sup>1</sup> Extra Census Bulletin 71, p. 32: Mortgages recorded in 1889, 6.75 per cent; 1888, 6.84 per cent; 1887, 6.93 per cent; 1886, 6.91 per cent.

usually pays the taxes upon the property mortgaged, it is obvious that the ordinary income from capital prior to taxation is over 7 per cent. This rate, however, must not be reckoned upon the entire sixty-five billions of national wealth. Nearly four billions of this is in the form of household furniture;<sup>1</sup> and the ownership of household furniture is never reckoned as a source of income, though the ownership of a home always is. Seven per cent interest upon the remaining property is barely 40 per cent of the aggregate income. As the labor incomes were more strictly estimated in the American table than in those for England and France, it is evident that capital's share in the aggregate product is somewhat less than in either of those older countries. The difference, however, is not great, and the same generalization may be retained. Capital receives two-fifths of the national income; while the labor of all classes, including that of the capitalists, receives three-fifths.

Respecting the distribution of incomes by classes, our safest guide is the ascertained distribution of property, and common observation respecting the professional and business incomes of the wealthy and well-to-do classes. There is, however, one Ameri-

**The  
Distribution  
of  
Rentals.**

<sup>1</sup> See Report on Valuation, Pennsylvania Tax Conference, 1892. Also M. de Foville's estimates, *Journal of the Statistical Society*, 1893, p. 608. Upon the basis of M. de Foville's estimate, only three billions should be subtracted.

can city for which the distribution of rents can be given with considerable accuracy, and the general distribution of urban incomes indicated thereby.

Each year the assessing department of the city of Boston reports at length upon the valuation of all dwelling-houses. This report alone indicates the general distribution of rentals; and it has been supplemented by an elaborate report of the Bureau of Labor Statistics, giving the exact rents paid in all houses not occupied exclusively by their owners. The table for the valuation of dwellings in 1891 ran as follows:—

HOUSES ASSESSED.	NO.	TOTAL ASSESSMENT.
Under \$5,000 . . . . .	35,523	\$ 91,000,000
\$5,000 to \$15,000 . . . . .	13,790	112,000,000
\$15,000 and over <sup>1</sup> . . . . .	4,937	153,000,000
	<u>54,242</u>	<u>\$356,000,000</u>

Even from this table it was obvious that one-tenth of the dwellings were worth nearly as much as all the remainder; and common observation told that the one-tenth consisted almost exclusively of residences<sup>2</sup> occupied by a single family, while the nine-tenths embraced nearly all the tenement-

	NUMBER.	ASSESSMENT.
<sup>1</sup> \$15,000 to \$25,000 . . . . .	2,603	\$49,000,000
\$25,000 and over . . . . .	2,334	104,000,000

See city document No. 3, 1893. The tables are so full that the aggregate assessment is practically official.

<sup>2</sup> Hotels and family hotels are excluded from the lists above.

houses. It was obvious, therefore, that one-tenth of the families occupied premises worth fully as much as the remaining nine-tenths. But the Labor Report upon rents, fortunately, made common observation upon this point almost unnecessary. In the first place, it showed (in its returns by precincts) that fully four-fifths of the costliest houses were occupied exclusively by their owners, so that the 4,937 houses, worth over \$15,000, represented the homes of hardly more than six thousand families; and in the second place, it showed that the aggregate rental paid by sixty thousand families was hardly 10 per cent on the assessed value of the cheapest 35,523 houses. In short, while six thousand families occupied dwellings worth \$150,000,000, sixty thousand families occupied dwellings worth but \$90,000,000.<sup>1</sup> On Leroy-Beaulieu's basis, that the poorer and middle classes devote one-sixth of their incomes to their dwellings, and the wealthiest class one-ninth, this signifies that in Boston, as in the foreign cities,

<sup>1</sup> Massachusetts Labor Report, 1891, p. 490.

MONTHLY RENTAL.	ESTIMATED AVERAGE.	NUMBER.	TOTAL MONTHLY RENTAL.
Under \$5 . . . .	\$ 4	1,175	\$ 4,700
\$5 to \$10 . . . .	8	16,933	136,000
\$10 to \$15 . . . .	12½	22,441	255,500
\$15 to \$20 . . . .	16½	13,733	228,900
\$20 to \$25 . . . .	22	5,473	120,306
		<u>59,755</u>	<u>\$745,400</u>

Total yearly rent : \$745,400 × 12 = \$8,944,800.

7 per cent of the families have one-half of the aggregate income.<sup>1</sup>

But this conclusion, however demonstrable its justice may be for the city of Boston, would not hold good for the country at large. In the agricultural districts the families owning more than five thousand dollars, though constituting fully twelve per cent of the population, receive but little more than one-third of the aggregate income; and were it not that the total income of American farmers has become so disastrously small, America would still present a most marked contrast with the countries of Europe respecting the distribution of incomes. As it is, it appears that the wealthiest ten per cent of American families receive approximately the same income as the remaining ninety per cent. But of this the only comprehensive evidence lies in the distribution of property

<sup>1</sup> The rentals and incomes of the 85,000 families in Boston would stand as follows:—

APARTMENTS.	NO.	ASSESSED VALUE OF PROPERTY OCCUPIED.	RENTAL.	INCOME.
Rental				
Under \$300 . . .	60,000	\$ 91,000,000 (at 10%)	\$ 9,000,000	\$ 54,000,000
\$300 to \$900 . . .	19,000	112,000,000 (at 9%)	10,000,000	60,000,000
Above \$900 . . .	6,000	153,000,000 (at 8%)	12,400,000	113,000,000
	<u>85,000</u>			<u>\$227,000,000</u>

The rental of the wealthiest twenty-three hundred families (note 1, page 121) would be \$8,000,000 (8 per cent on an assessment of \$104,000,000), and their incomes about \$75,000,000. As they pay local taxes on \$300,000,000 of real estate, an income of \$75,000,000 would be about 7 per cent on their probable wealth. It is certain that these families receive at least one-third of the aggregate income.

and common observation respecting the incomes from labor of the well-to-do and wealthy classes.

Nearly every family possessing \$50,000 worth of property receives an aggregate family income of \$5,000.<sup>1</sup> Likewise most families pos-

**The Classi-  
fication of  
Incomes.**

sessing over \$5,000 receive an aggregate income exceeding \$1,200. There are many exceptions to this rule, particularly in the rural districts; but these exceptions are practically offset by the families who receive the income specified without possessing the specified amount of property. The well-to-do class, as respects incomes, will not differ materially in numbers from the well-to-do class as respects property.

The wealthy class, however, will be considerably recruited when extended to embrace all families with an aggregate income of \$5,000.

**The Number  
of the Large  
Incomes.**

The number of families having over \$50,000 worth of property is less than three per cent of all in most of our largest cities; yet in Boston, as we have just seen, the number of families occupying houses worth a thousand a year is about six per cent of all. These families, with few exceptions, have

<sup>1</sup> It will be recalled that the distribution of property in the United States is approximately as follows:—

	NUMBER OF FAMILIES.	AGGREGATE WEALTH.
\$50,000 and over . . .	125,000	\$33,000,000,000
\$50,000 to \$5,000 . . .	1,375,000	23,000,000,000
Under \$5,000 . . . .	11,000,000	9,000,000,000

over \$5,000 a year income. In New York common observation would indicate that there were approximately as many families with \$5,000 income as with \$30,000 property. Judging from these indications, the class with an aggregate family income of \$5,000 would exceed two hundred thousand. Any material addition to that number, however, would be unsafe; for only in the cities and towns are large incomes from personal exertions possible.

The seventy-five thousand families thus added to the class that was wealthy by reason of its property does not add greatly to its aggregate capital. Two and a half billion dollars would cover the entire addition to its property, and from the new aggregate one billion dollars must be subtracted for household goods.<sup>1</sup> The income from the balance, prior to taxation, may be taken at the average rate of interest upon mortgages, plus the average rate of taxation levied upon property,<sup>2</sup>—or about seven per cent in all. Respecting the labor in-

The Size of  
the Large  
Incomes.

<sup>1</sup> \$5,000 per family for two hundred thousand families.

<sup>2</sup> The average rate of interest upon real estate mortgages recorded in 1889 was 6.75 per cent. The rate, however, was less in the cities than in the rural districts. The average rate for mortgages upon lots was 6.37 per cent; the average rate for mortgages upon acres was 7.52 per cent (Extra Census Bulletin, No. 71). The average rate of taxation resting directly upon property was about two-thirds of one per cent of its estimated true value. See page 157.

comes of the wealthy class, we know that they range all the way from nothing to \$50,000, and even larger sums. The number of very large incomes, however, whether from business management or professional success, is so small that the average incomes of these families over and above the mortgage rate of interest on their property should hardly be placed above \$5,000.<sup>1</sup> It is placed at \$3,500 in order to present the minimum concentration of incomes.

Both the number of the well-to-do class and its aggregate property have been diminished by the families of medium estates transferred to the wealthiest class. The amount of capital remaining to it after deducting for household goods is less than twenty billions. The average rate of interest realized, prior to taxation, is unquestionably about seven per cent. The average labor income of this class is more difficult to reckon. Rarely do such families receive from their labor less than

The  
Moderate  
Incomes.

<sup>1</sup> The writer believes that the number of large professional incomes is commonly over estimated. It is doubtful if one professional man in a hundred receives \$5,000 a year from his profession. The families not possessing \$50,000, but receiving an aggregate income of \$5,000, are, in the main, families possessing upwards of \$25,000 worth of property. See the *Forum* articles of Dr. Carroll and Dr. Shradly, previously referred to. Only about one minister in a hundred receives as much as \$3,000. Dr. Shradly's estimate that five hundred physicians in New York City receive upwards of \$5,000 does not imply that the number for the entire country would reach five thousand.



eight hundred dollars a year, and not infrequently they receive above three thousand. The average must certainly be placed as high as twelve hundred dollars.

The incomes less than twelve hundred dollars are chiefly, but not entirely, from labor. The amount of property belonging to the poorer seven-eighths of our people, as we have seen, may reach nine billions; but the aggregate of household goods will exceed one billion. The labor incomes will generally range from two hundred dollars a family, on the Southern farms, to a thousand dollars among the most skilled workmen in the Northern cities. The most poorly paid classes, however, are by far the largest; and the average family income from labor should not be put higher than \$500 in the towns and \$300 in the rural districts. As three-fifths of the families live in the rural districts<sup>1</sup> the average would be \$380 for all. The table showing the distribution of the national income from both property<sup>2</sup> and labor stands therefore as follows:—

The  
Smaller  
Incomes.

<sup>1</sup> On farms or in villages of less than one thousand people.

<sup>2</sup> It should perhaps be recalled at this point that the private property in the country, though similar in amount, is not identical with the tangible property covered by the census estimate. The latter includes public property, and property belonging to church and charitable corporations, but does not include the public debt nor the intangible property of business firms.

## Income of the United States.

(PRIOR TO TAXATION.)

*Distribution by Classes.*

FAMILY INCOME.	NUMBER OF FAMILIES.	AVERAGE INCOME FROM LABOR.	AGGREGATE INCOME FROM LABOR.
\$5,000 and over . . .	200,000	\$3,500	\$ 700,000,000
\$5,000 to \$1,200 . . .	1,300,000	1,200	1,560,000,000
Under \$1,200 . . .	11,000,000	380	4,200,000,000 <sup>1</sup>
	<u>12,500,000</u>		<u>\$6,460,000,000</u>

FAMILY INCOME.	CAPITAL (MILLIONS).	AVERAGE INCOME FROM CAPITAL.	AGGREGATE INCOME FROM CAPITAL.	TOTAL INCOME.
\$5,000 and over,	\$34,500	7 per cent	\$2,410,000,000 <sup>1</sup>	\$3,110,000,000
\$5,000 to \$1,200,	19,000	7 per cent	1,330,000,000	2,890,000,000
Under \$1,200 . . .	7,500	8 per cent	600,000,000	4,800,000,000
	<u>\$61,000</u>		<u>\$4,340,000,000</u>	<u>\$10,800,000,000</u>

If we carry our classification farther, we find that more than five-sixths of the income of the wealthiest class is received by the 125,000 richest families, while less than one-half of the income of the working-classes is received by the poorest 6,500,000 families.<sup>2</sup> In other words, one per cent of our families receive nearly one-fourth of the national income, while fifty per cent receive barely one-fifth.

<sup>1</sup> Chiefly for the sake of round totals, \$20,000,000 is added to the labor incomes of the working-classes, and \$5,000,000 subtracted from the income from property of the wealthiest class.

<sup>2</sup> No precise line can be drawn, but there are abundant data to prove that the better-to-do two-fifths of the working-classes receive a larger income than the remaining three-fifths. See the schedule of weekly wages in the Massachusetts Labor Report of 1889, and the schedule of daily wages in the Missouri Labor Report of 1890.

To sum up the whole situation, therefore, it appears that the general distribution of incomes in the United States is wider and better than in most of the countries of western Europe. Despite this fact, however, one-eighth of the families in America receive more than half of the aggregate income, and the richest one per cent receives a larger income than the poorest fifty per cent. In fact, this small class of wealthy property owners receives from property alone as large an income as half of our people receive from property and labor.

Summary  
for  
the United  
States.