

PART II.
THE DISTRIBUTION OF INCOMES.

CHAPTER IV.

EUROPEAN INCOMES.—SHARES OF LABOR AND
CAPITAL.

THE forces which have determined the distribution of property are identical with those which have determined the distribution of incomes. In fact, these forces as a rule have borne directly upon the distribution of incomes, and through this means have changed the distribution of property. This rule is likely to be maintained. The future laws which shall make better or worse the distribution of property are likely to accomplish their end, not by the bodily transfer of property from one class to another, but by making more equal or more unequal the distribution of the future incomes of the people.

The
Forces in
Control.

In examining the question, how the incomes of the people are at present distributed, we find our work made easier instead of harder by what

has been done by European statisticians. Indeed, on this point it is the American statisticians who have done the more careless work. The absence of an income tax here has been chiefly responsible for this, while the absence of a general property tax in most countries in Europe has been partly responsible for the unwarranted estimates of European statisticians respecting the distribution of property.¹ The income tax statistics of England and Switzerland,² at least, make perfectly definite the distribution of incomes in those countries, and indicate the distribution in all countries where industrial conditions are similar.

¹ For example: M. Leroy-Beaulieu expresses the opinion — and M. de Foville quotes it — that “three-fourths of the accumulated fortunes . . . are in the hands of workmen, laborers, small tradespeople, and the owners of small capitals.”

² The tax statistics of Switzerland — the one European country having the general property tax — are as conclusive as those of the United States respecting the present concentration of property. Those of the city of Basel can be given for two dates four centuries and a half apart. The contrast between them throws light upon the contention that inequalities of fortune have tended to disappear in modern times.

PROPERTY TAXES IN BASEL IN 1429.

(Population about 10,000.)

| SIZE OF HOLDINGS. | NUMBER OF TAX-PAYERS. | PER CENT OF TOTAL PROPERTY. |
|---|-----------------------|-----------------------------|
| Below 3,000 francs (150 gulden) | 1766 | 7 |
| 3,000 to 20,000 francs | 552 | 20 |
| 20,000 to 100,000 francs | 180 | 40 |
| 100,000 to 500,000 francs | 30 | 33 |
| Above 500,000 francs | 0 | 0 |

Fortunately the most searching and most widely known examination into the distribution of incomes in the United Kingdom was not made in a partisan spirit. The conclusions reached by Dudley Baxter for the year 1868 ran as follows: ¹—

England
in 1868.

UNITED KINGDOM IN 1868; 6,200,000 families.

| SIZE OF INCOMES. | NUMBER OF INCOMES. | AGGREGATE INCOMES. |
|-----------------------------------|--------------------|---------------------|
| £1,000 and upwards | 57,300 | £209,481,000 |
| £1,000 to £100 | 1,204,700 | 198,673,000 |
| Under £100 ² | 12,458,000 | 405,965,000 |
| | <u>13,720,000</u> | <u>£814,119,000</u> |

In brief, less than one per cent of those receiving incomes received one-quarter of the nation's income, while about ten per cent received as much as the

PROPERTY TAXES IN BASEL IN 1879.

(Population about 63,000.)

| SIZE OF HOLDINGS. | NUMBER OF TAX-PAYERS. | PER CENT OF TAXED PROPERTY. |
|-------------------------------------|-----------------------|-----------------------------|
| Below 3,000 francs | Untaxed. | |
| 3,000 to 20,000 francs | 2,078 | 3 |
| 20,000 to 100,000 francs | 1,319 | 13 |
| 100,000 to 500,000 francs | 504 | 24 |
| Above 500,000 francs | 212 | 60 |

The authority for the fifteenth century is Schönberg, "Finanz Verhältnisse der Staat Basel im Fünfzehnten Jahrhundert," pp. 139-140, and table. That for the nineteenth, Schanz, "Die Steuern der Schweiz," vol. ii., p. 48. Schönberg's table in full, with an estimate of the total possessions of each class, will be found in Appendix VIII. The untaxed holdings in 1879 did not amount to much more than one per cent of the total. The wealthy class—paying on more than \$100,000—owned 60.4 per cent of the taxable property, and 60 per cent of all the property.

¹ "Taxation of the United Kingdom," by R. D. Baxter, p. 64.

² See note on following page.

remaining ninety. M. Leroy-Beaulieu, in his volume on the Distribution of Wealth,¹ has had the courage to say that the "English statisticians who have treated this subject, as M. Dudley Baxter, have done so in a superficial way." The humor of this observation, when made by M. Leroy-Beaulieu, will be apparent when we come to examine how profound were his own investigations. The point to be considered here is the light which subsequent investigations have thrown upon Baxter's conclusions. Within a very recent period we have had Mr. Charles Booth's investigation of incomes among the very poor in London. The conclusion he reaches² is that thirty per cent of London families receive at most £54 a year; yet Baxter assumed that the poorest thirty per cent of all families in the kingdom averaged £50 a year. Within the present year we have received

NOTE TO TABLE ON PAGE 75.—The incomes under £100 were made up as follows:—

| | NUMBER. | AGGREGATE. |
|--|-----------|--------------|
| "Middle Class" Incomes under £100 | 1,497,000 | £ 81,320,000 |
| Higher Skilled Labor and Manufactures, 28 to 35 shillings weekly for Men | 1,345,000 | 66,353,000 |
| Lower Skilled Labor and Manufactures, 21 to 25 shillings weekly for Men | 5,087,000 | 160,652,000 |
| Agriculture and Unskilled Labor, 12 to 20 shillings weekly for Men | 4,529,000 | 97,640,000 |

These are incomes for individual wage-receivers, not for families. Family wages were more than double. In all the poorer classes, there were on the average 2½ wage-earners to each family of five.

¹ "De la Répartition des Richesses," p. 573.

² "Life and Labor of the People" (1891), p. 21.

the Board of Trade Blue Book, giving the wages of manual laborers in 1886. This return makes the average wages of men in the skilled trades to range from 25 to 32 shillings a week.¹ Mr. Baxter assumed that they ranged from 28 shillings to 35 shillings. In other words, Baxter's estimate of wages in 1868 is higher than can be assumed for English laborers at the present time.

On the other hand, respecting the income of the capitalist class, Mr. Baxter merely assumed the same concentration throughout the income-tax schedules as exists in the incomes from "trades and professions." But incomes from the trades and professions are, to a large extent, incomes from personal exertions. They are of necessity less concentrated than incomes from capital. Lacking the returns of the "New Domesday Book" to tell of the distribution of land, and lacking the classified returns now published respecting the taxation of inheritances, it would have been hazardous for Baxter to assume the concentration of capital we know to exist.

If, therefore, we should construct a table showing the present concentration of incomes in England, we could not assume England
in 1885. greater average wages for the laborers than Baxter assumed; and we should have

¹ General Report on the Wages of the Manual Labour Classes in the United Kingdom. 1893. C—6889, pp. xiii., xxix., 470.

to assume that the incomes from capital were distributed in about the same way that capital is distributed.¹ The number of persons having incomes above £1,000 from all sources would be

¹ Taking the year 1885 (see Appendix VI.), we find the national income to stand as follows:—

| | |
|---|-----------------------|
| I. INCOME FROM PROPERTY ALONE.— | |
| Schedule A. Lands, Houses, etc. | £194,000,000 |
| Schedule C. Public Funds | 41,000,000 |
| Schedule D. Public Companies | 112,000,000 |
| Foreign investments not returned | 50,000,000 |
| | <u>£397,000,000</u> |
| II. BUSINESS AND PROFESSIONAL INCOMES.— | |
| Schedule D. Trades and Professions | £180,000,000 |
| Schedule E. Public Officers' Salaries, etc. | 38,820,000 |
| Schedule B. Farmers' Profits | 65,230,000 |
| Incomes between £150 and £100 | 29,000,000 |
| | <u>£313,050,000</u> |
| III. INCOMES BELOW £100.— | |
| (Baxter's basis) (Population, 1885, 36,000,000) | £470,000,000 |
| Total income | <u>£1,180,450,000</u> |

The division into classes would be about as follows:—

INCOMES OVER £1,000.—

From property, £300,000,000, or 75 per cent of the incomes assessed.
(See page 22.)

From business and professions.

Schedule D, £100,000,000, or 56 per cent of the incomes assessed.
(See official returns, Appendix VII.)

Schedule E, £10,000,000, or 20 per cent of the incomes assessed.
(See official returns, Appendix VII.)

Schedule B, £10,000,000 (estimate).

Total, £420,000,000.

INCOMES, £1,000 to £100.—

From property, £97,000,000, or remainder of the incomes assessed.

From business and professions, £193,000,000, or remainder of such incomes.

Total, £290,000,000.

INCOMES BELOW £100.—

From property and labor, £470,000,

Total, £1,180,000,000.

proportionately about twice as great as in Baxter's estimate, while the number in the two other classes would only increase in proportion to the population. The minimum concentration would be as follows :—

United Kingdom in 1885.

| INCOMES. | NUMBER. | AGGREGATE. |
|---------------------------|-------------------|--------------------------|
| £1,000 and over | 130,000 | £420,000,000 |
| £1,000 to £100 | 1,400,000 | 290,000,000 |
| Below £100 | 14,500,000 | 470,000,000 ¹ |
| | <u>16,030,000</u> | <u>£1,180,000,000</u> |

In brief, about one per cent of those having incomes receive over thirty-five per cent of the national income, while about ten per cent receive half as much again as the remaining ninety.

This conclusion may seem striking to those who have followed the literature on this subject since the distribution of wealth became a serious question. Leroy-Beaulieu, the author of the largest work on this subject, has reached a conclusion very different. If, however, we examine the evidence he submits, we find the situation in Paris strikingly similar to that in Great Britain. In the absence of an income tax, he sensibly and conscientiously constructs the following table from the statistics of the tax on rents :—

Parisian
Incomes
in 1878.

¹ This figure would, of course, be much less if based on income tax returns instead of liberal estimates as to real wages.

Parisian Incomes, 1878. (BY NUMBER.)

Leroy-Beaulieu's Table.

| NO. OF APARTMENTS. | PER CENT OF NUMBER. | (ASSESSED RENT 3-4 REAL RENT). | INCOME OF OCCUPANT. |
|--------------------|---------------------|--------------------------------|---------------------|
| 468,641 | 68.4 | Below 300 francs | Below 2,400 francs |
| 74,360 | 10.8 | 300 to 500 | 2,400 to 4,000 |
| 61,083 | 8.9 | 500 to 750 | 4,000 to 6,000 |
| 21,147 | 3.1 | 750 to 1,000 | 6,000 to 7,500 |
| 17,202 | 2.5 | 1,000 to 1,250 | 7,500 to 10,000 |
| 6,198 | .9 | 1,250 to 1,500 | 10,000 to 12,000 |
| 21,453 | 3.1 | 1,500 to 3,000 | 12,000 to 32,000 |
| 9,985 | 1.5 | 3,000 to 6,000 | 32,000 to 70,000 |
| 3,049 | .5 | 6,000 to 10,000 | 70,000 to 133,000 |
| 1,413 | .235 | 10,000 to 20,000 | 133,000 to 266,000 |
| 421 | .065 | Exceeding 20,000 | Exceeding 266,000 |
| <u>684,952</u> | | | |

This table is open to criticism only at the beginning and at the end. The assumption that the very poor pay no larger proportion of their incomes for rent than do the classes above them violates common observation, not only in America, but in France. The Constituent Assembly, as Leroy-Beaulieu states in another volume,¹ when it attempted to tax every citizen in proportion to his income, assumed that a rent of 100 francs indicated an income of double this sum; that rents from 101 to 500 francs indicated an income treble; that rents from 501 to 1,000 francs indicated an income four times as great; and so on, until rents of 12,000 francs and upward were assumed to indicate an income twelve times as great. This scale

¹ "Traité de la Science des Finances," vol. i., p. 382.

was indeed too strongly progressive ; but every one familiar with working-class families in our great cities knows that the poorer of these families usually pay one-quarter of their incomes for the rent of an unheated apartment, while the poorest often pay one-third. At the other end of its scale the Constituent Assembly did not exaggerate the proportion which incomes bear to rents. It is the exception when the rental value of the houses of the rich equals one-twelfth of their aggregate incomes.¹

Nevertheless, the table is a conscientious one ; and the important point is, what does it show ? Leroy-Beaulieu claims that the extreme fewness of the great incomes demonstrates the fallacy of the popular notions respecting the concentration of wealth. If, however, the aggregate of these incomes be estimated upon the basis he himself lays down, it will again be found that common observation is more trustworthy concerning matters within its field than the conclusions of experts who scorn it. When completed, the estimate stands as follows :—

¹ In New York City, according to a recent investigation of the tax records, under the direction of Mr. Edmund Kelley, the assessed value of the residences of the richest men in the district covered ran as follows :—

| | |
|---------------------------------|-----------|
| Estate of Jay Gould | \$225,000 |
| J. D. Rockefeller | 165,000 |
| Mrs. W. H. Vanderbilt | 550,000 |
| Russell Sage | 70,000 |

The average was about one per cent of the value of their property.

Parisian Incomes. (By Amount.)

| NUMBER OF APARTMENTS. | INCOMES OF OCCUPANTS. | ESTIMATED AVERAGE. | TOTAL INCOMES. | PERCENTAGE OF AGGREGATE INCOME. |
|-----------------------|---------------------------|--------------------|----------------------|---------------------------------|
| 468,641 | Below | 1,000 francs | 750,000,000 francs | 24 |
| 74,360 | 2,400 to 4,000 francs | 3,000 francs | 220,000,000 francs | 7.04 |
| 61,083 | 4,000 to 6,000 francs | 4,666 francs | 285,000,000 francs | 9.1 |
| 21,147 | 6,000 to 7,500 francs | 6,500 francs | 135,000,000 francs | 4.32 |
| 17,202 | 7,500 to 10,000 francs | 8,333 francs | 145,000,000 francs | 4.64 |
| 6,198 | 10,000 to 12,000 francs | 10,666 francs | 65,000,000 francs | 2.1 |
| 21,453 | 12,000 to 22,000 francs | 18,666 francs | 400,000,000 francs | 12.8 |
| 9,983 | 22,000 to 70,000 francs | 44,666 francs | 445,000,000 francs | 14.24 |
| 3,049 | 70,000 to 133,000 francs | 91,000 francs | 275,000,000 francs | 8.8 |
| 1,413 | 133,000 to 266,000 francs | 176,000 francs | 255,000,000 francs | 8.16 |
| 421 | Above | 350,000 francs | 150,000,000 francs | 4.8 |
| 684,952 | | | 3,125,000,000 francs | 100 |

In a condensed form the table stands thus : —

| NUMBER OF INCOMES. | CLASSES OF INCOMES. | AMOUNT OF INCOMES. | PER- CENTAGE OF NO. | PER- CENTAGE OF AMT. |
|--------------------------|---------------------------|--------------------------|---------------------------|----------------------------|
| 468,641 | Below 2,400 f. | 750,000,000 f. | 68.4 | 24 |
| 156,590 | 2,400-7,500 f. | 640,000,000 f. | 22.8 | 20.46 |
| 44,853 | 7,500-32,000 f. | 610,000,000 f. | 6.5 | 19.54 |
| 14,868 | Above 32,000 f. | 1,125,000,000 f. | 2.3 | 36 |
| 684,952 | | 3,125,000,000 f. | 100 | 100 |

In brief, the incomes above \$6,000, though numbering less than two and a half per cent of all, aggregated more than one-third of the total income of the city; while incomes above \$1,500, though numbering less than ten per cent of all, aggregated more than one-half of the total income. The situation is thus very similar to that found in Great Britain.

In Germany the degree of concentration is less than in Great Britain or Paris, though each decade and each reform in the method of assessing the income tax reveals greater concentration. A dispassionate statement of the change that has been going on was made by the late Professor Roscher.¹ Between 1852 and 1873 the number of incomes in Prussia assessed between \$300 and \$750 increased 175.5 per cent; the number assessed between \$9,000 and \$18,000 increased 470.6 per cent; while the number assessed at more than

Increase
of Large
Incomes in
Germany.

¹ "Political Economy," Book III., chap. vii., sec. ccv.

\$40,000 increased 2,200 per cent. This disproportionate increase of large incomes continues to the present day. Soetbeer's table of Prussian incomes for 1890 is shown to be obsolete, or worse, by the assessments for 1892-1893. His estimates for the large incomes must be doubled to conform with the newer tax lists. From these it appears that a little over 1 per cent of those receiving incomes hold more than 20 per cent of the income of the kingdom, while 10 per cent hold nearly one-half of it.¹

From the German tax lists, however, less exact conclusions can be drawn than from those of England and Switzerland, where the incomes taxes are more loyally accepted and more effectively administered. It is the returns from Switzerland, perhaps, which have the greatest value to American students; for

The Swiss
Returns.

¹ The returns for the year 1892-1893 published in the "Bulletin de Statistique et Législation Comparée," issued by the French Ministry of Finance for 1892 (p. 521, *et. seq.*), shows the following division of the taxable income in Prussia:—

| INCOMES. | NUMBER. | | AGGREGATE INCOME. |
|---------------------|-----------|---------|-------------------|
| Above 6,000 marks . | 112,125 | (about) | 1,900,000,000 |
| Above 3,000 marks . | 316,889 | | 2,812,000,000 |
| 3,000-900 marks . . | 2,118,966 | | 2,912,000,000 |
| | 2,435,855 | | 5,724,000,000 |

There remain about 4,000,000 families (or 7,800,000 incomes) not reached by the income tax. The average assessable income of these families could not exceed 800 marks. On a tax basis, therefore, the income of Prussia would not exceed 8,900,000,000 marks (about \$2,200,000,000).

Switzerland is almost as pre-eminent in Europe for the wide distribution of her wealth as for the radical democracy of her people.

In the city of Basel the distribution of incomes is less wide than in the Swiss nation at large; but it is the only canton — or rather half canton — that taxes each citizen's income from property along with his income from personal services. For this reason the tax records there reveal the distribution of incomes with exceptional clearness. That the distribution of property in this city, as we have seen, follows almost exactly the same lines as the distribution of property in the United States makes the situation there especially interesting here. The records run as shown in table on page 86.¹

Before determining the percentage of the whole income possessed by each class in Basel, it is necessary to remember that over six thousand families were untaxed because the incomes of their heads were less than 1,200 francs. Assuming that the incomes of these families averaged nearly 1,000 francs, the assessable income of the whole city was an even 50,000,000 francs. The wealthiest classes, therefore, held approximately 53 per cent of the city's income.

When, however, every possible deduction has been made, the results reached most strikingly

¹ G. Schanz, "Die Steuern der Schweiz," vol. ii., p. 66, *et seq.*

Taxation of Incomes in Basel, 1881 (New Law).
(Population, 65,000.)

| TAX RATES. | CLASS OF INCOMES. | NUMBER OF PAYERS. | AMOUNT OF TAX (FRANCS). | PER CENT OF TOTAL TAX. | ESTIMATED AVERAGE INCOME (FRANCS). | AGGREGATE INCOME (FRANCS). | PER CENT OF TOTAL INCOME. |
|---|--|-------------------|-------------------------|------------------------|------------------------------------|--------------------------------------|---------------------------|
| 5 FRANCS | s ¹ 800 to 1,200 m ² 1,200 to 1,500 | 1,997 | 9,965 | .89 | 1,300 (max.) | 2,600,000 | 6 |
| 10 FRANCS | s 1,200 to 1,500 m 1,500 to 1,800 | 1,247 | 12,503 | 1.12 | 1,600 (max.) | 2,000,000 (Official) 5,600,000 | 4½ |
| 1 PER CENT | s 1,500 to 4,000 m 1,800 to 4,000 | 2,214 | 55,999 | 5.01 | | (Official) 4,800,000 | 12½ |
| 1 TO 2 PER CENT — 1 on 1st 4,000 2 on 2d 4,000 | 4,000 to 8,000 | 860 | 62,018 | 5.55 | | (Official) 2,500,000 | 11 |
| 1 TO 3 PER CENT — 1 on 1st 4,000 2 on 2d 4,000 3 on 3d 4,000 | 8,000 to 12,000 | 242 | 45,729 | 4.09 | | (Official) 26,650,000 | 6 |
| 1 TO 4 PER CENT — 1 on 1st 4,000 2 on 2d 4,000 3 on 3d 4,000 4 on over 12,000 | 12,000 and over | 560 | 931,710 | 83.34 | | | 60 |
| | | 7,130 | 1,117,924 | 100 | | 44,150,000 | 100 |

1 "s" single.

2 "m" married.

confirm the conclusions indicated by the returns for the United Kingdom and Paris. In this Swiss city, where all but the very small incomes are given officially, the wealthiest 5 per cent of the families held more than half of the income, and the wealthiest 10 per cent fully three-fifths of it. The similarity, however, between this result and that reached for the United Kingdom and for Paris does not indicate that incomes are as concentrated in Basel as in Paris or England, but merely demonstrates that the estimates previously given respecting the concentration of incomes were minimum estimates.

Summary
for Basel.

Before leaving the official statistics of Europe, it is worth while to determine as nearly as possible what proportion of the aggregate income goes as a return to capital and what proportion as a return to labor.

The Share
of Capital
in Basel.

The income from capital, it must be noticed at the outset, is much less than the income of the capitalists. Particularly in commercial and manufacturing enterprises a large share of the profits is merely the return for the labor of the manager. In the city of Basel, however, it is comparatively easy to separate the two elements, because of the completeness of the returns for property as well as incomes. The amount of property taxed in 1879¹ was 414,000,000 francs,

¹ G. Schanz, "Die Steuern der Schweiz," ii., p. 48.

though holdings valued at less than 3,000 francs were untaxed. On a 5 per cent basis, the income from this property was about 20,000,000 francs; the aggregate income of the city, as we have seen, was about 50,000,000 francs. Capital, therefore, received approximately 40 per cent of the total; and labor, including that of professional men and managers, approximately 60 per cent.

This division is the one to which the data for other countries generally point. For France, the most authoritative estimate of the national income is that of M. de Foville,¹ which places it at \$5,000,000,000, or twenty-five milliard francs. Respecting the income from property, he says: "We can be tolerably certain that the landed revenue is about five milliards of francs, and that personal property produces at the present moment an income not merely equal, but superior, to that of real property. This gives a minimum of ten milliard francs for the income from wealth already acquired."² Here, again, we have exactly 40 per cent of the national income reckoned as the share of capital, and 60 per cent accredited to "wages" and other "personal gains in agriculture industry, arts, and commerce."

¹ *Journal Royal Statistical Society*, December, 1895, pp. 612, 613.

² 10,000,000,000 francs is not quite 5 per cent upon the estimated value of the private property in France, after household furniture is excluded. *Cit. supra*, p. 608.

Shares of
Capital and
Labor in
France.

For Germany we have no generally accepted estimate as to the amount of property, and therefore the income from property can only be conjectured. In Saxony the income-tax returns are made out so as to show the source of the revenues. Those for 1888 run as follows:¹—

| | |
|---|--|
| | Shares of Capital and Labor in Germany. |
| From Lands and Houses | 247,452,000 marks. |
| From Stocks and Negotiable Securities | 167,846,000 " |
| From Salaries and Wages | 583,812,000 " |
| From Profits in Trade and Industry | 443,775,000 " |
| | <u>1,442,885,000 marks.</u> |
| Deduct Interest on Debts | <u>105,261,000 "</u> |
| | 1,337,624,000 marks. |

If the incomes from land, houses, and negotiable securities be placed to the credit of capital, and if one-half the profits from trade and industry are reckoned with salaries and wages to the credit of labor, we should again make labor's share 60 per cent of the aggregate income, and capital's share 40 per cent. The returns, however, are not trustworthy enough to furnish any basis for exact estimates. The returned incomes from securities and business profits should perhaps be doubled; even wages are returned at much less than their actual amount.

In the United Kingdom capital's share of the aggregate income is greater than on the Conti-

¹ V. Böhmert, in "Der Arbeiterfreund," 1890, p. 307.

ment, because of the large revenues received from foreign investments. On the basis of the income-tax returns, the national income cannot be estimated as high as £1,200,000,000.¹ The income from property, however, exceeds £500,000,000.² The share of capital is considerably in excess of 40 per cent.

It is true that a different conclusion has been reached by Mr. Giffen in his widely read essay on the progress of the working-classes in the last half-century. Mr. Giffen seems to accept the conclusion that the share of capital was formerly nearly 40 per cent of the national income, but he vehemently urges that it is now much less. His argument is briefly as follows:—

1. He publishes statistics indicating that, during during the last half-century, weekly wages have increased about 65 per cent. 2. He states that the hours of labor have generally been reduced. 3. He concludes that yearly wages have been increased 100 per cent. Just how a reduction in the hours of labor should increase the yearly wages, without increasing the weekly wages, he does not explain. Having reached his remarkable

¹ See table, p. 78.

² See Appendix VIII. Subtract one-half from farmers' profits and income from property of poorer classes, but double Schedule C to include national debt.

conclusion, however, he presents the following tables:—

I.—Incomes assessed for Income Tax.

| | 1881. | | 1843. | |
|---|---------------|---------------------|---------------|---------------------|
| | FROM CAPITAL. | FROM SALARIES, ETC. | FROM CAPITAL. | FROM SALARIES, ETC. |
| Schedule A— | £ | £ | £ | £ |
| Real estate | 187,000,000 | nil | 98,000,000 | nil |
| Schedule B— | | | | |
| Occupation of Land . | 25,000,000 | 44,000,000 | 20,000,000 | 36,000,000 |
| Schedule C— | | | | |
| Public Loans | 40,000,000 | nil | 29,000,000 | nil |
| Schedule D— | | | | |
| Part I., Trades and Professions | 64,000,000 | 100,000,000 | 29,500,000 | 46,500,000 |
| Part II., Corporations, | 91,000,000 | nil | 12,000,000 | nil |
| Schedule E— | | | | |
| Salaries, etc. | nil | 83,000,000 | nil | 11,000,000 |
| | 407,000,000 | 177,000,000 | 188,500,000 | 93,500,000 |

II.—National Income.

| | 1881. | 1843. |
|---|-----------------------|---------------------|
| Capitalist classes from capital | £400,000,000 | £190,000,000 |
| Working incomes in income-tax returns . . | 180,000,000 | 90,000,000 |
| Working income not in income-tax returns, | 620,000,000 | 235,000,000 |
| | <u>£1,200,000,000</u> | <u>£515,000,000</u> |

The estimates in the first table are judicial; and, fortunately, the striking errors in the second table are confined to the estimates for 1881, regarding which we have abundant evidence.

In the first place Mr. Giffen omits the untaxed income of the capitalist class from foreign investments. This, in his essay on the national wealth

in 1885, he estimates at £50,000,000,¹ and the figure ought not to be reduced. In the second place, he omits the untaxed income of small property owners from their property. This, in the essay referred to, he estimates at £67,000,000, and the figure ought not to be reduced much more than a half. In the third place, he assumes that the income of working-class families from labor averages £100 a year. Upon this point the recently published report of the Board of Trade upon wages in 1886 shows that the combined wages of a man and a boy averaged but £73 a year in the leading urban industries, and only about two-thirds as much in agriculture. Seventy pounds a year would be an absurdly high general average of the real wages of working-class families, and we may omit from consideration the lower figure at which they would be returned for taxation. Making only the more obvious corrections in Mr. Giffen's table, the figures stand as follows:—

| | 1881. |
|---|----------------|
| Capitalist classes from capital | £450,000,000 |
| Working classes from capital | 30,000,000 |
| All | £480,000,000 |
| Capitalist classes from work | 180,000,000 |
| Working classes from work | 420,000,000 |
| All | £600,000,000 |
| Aggregate income | £1,080,000,000 |
| Income from capital | 44 per cent |
| Income from work | 56 per cent |

¹ See Appendix VI.

Before leaving English income-tax statistics, there is perhaps one other question which should receive a word. It has been strenuously urged that these statistics show a tendency toward greater equality of conditions. The argument is almost always the same, and does not demand much space. It consists in a comparison between the number of persons taxed at different periods for specified incomes in the trades and professions. It was effectively used by Mr. Porter in 1851, and still more effectively by Mr. Goschen in 1887. Probably the fairest statement of it is that made by Mr. Giffen.¹ The comparison to which he calls attention runs as follows: —

| Incomes from Trades and Professions Assessed Under Part I of Schedule D. | | |
|---|----------|----------|
| INCOMES. | 1843. | 1870-80. |
| £ 150 and under £ 200 | 39,366 | 130,101 |
| 200 " " 500 | 48,580 | 144,842 |
| 500 " " 1,000 | 11,662 | 27,256 |
| 1,000 " " 10,000 | 6,821 | 17,110 |
| 10,000 and upwards | 208 | 853 |
| Total | £106,637 | £320,162 |

In case "Part I of Schedule D" gave all the incomes from manufacture and commerce, this table would not only demonstrate a gratifying increase in the number of moderate incomes, but

¹ See Appendix III.

indicate a slightly disproportionate increase. Unfortunately for the argument, however, the salient feature of English industry during the present century has been the evolution of large private firms into public companies, and their consequent transfer from Part I of Schedule D to Part II. In Part I the incomes from capital, like the incomes from labor, but little more than doubled during this period; in the whole schedule the incomes from capital almost quadrupled.¹ The disproportionate increase in incomes from capital is synonymous with the disproportionate increase in large incomes. The concentration of incomes has kept pace with the concentration of fortunes.

¹ See statistics on page 91. As the larger salaries paid by the constantly organized public companies are taxed under Schedule E, the two schedules ought to be combined for the purpose of a fair comparison. This done, it will be seen that the estimated labor income of the well-to-do classes from urban industries increased from £57,500,000 in 1843 to £133,000,000 in 1881, or 131 per cent; while the income from capital of the same classes in the same industries increased from £41,500,000 to £155,000,000, or 273 per cent.