

A REVIEW OF INCOME CONCEPTS  
USED IN ECONOMIC ANALYSES

1.0 INTRODUCTION

"INCOME" -- No other word appears so pervasively in the literature of economics. No other concept plays such an important and diverse role in assessing well-being, predicting consumption and productive activities, analyzing national economic growth and fluctuations, measuring the equity of tax systems, and so forth. More **resources are** devoted to measuring income than any **other** economic statistic. Yet, **there** is no single concept of income which is universally applicable. Major alternative concepts of income have evolved in the economic literature to serve different purposes. For example, taxable income reflects the requirements of a tax system which must temper equity with administrative feasibility. A different concept -- disposable personal income -- is used in studies of consumer behavior. Another concept -- money income -- has been used in most studies of the size distribution of income. Still other concepts have been developed for other purposes. "Income" has proved to be a versatile concept which has been defined in a variety of ways, depending on its intended analytic use.

This paper reviews and compares these alternate concepts of income as a contribution to the initial design of the Survey of Income **and Program** Participation. The paper seeks to (1) relate each concept to the particular economic question(s) for which it is appropriate; (2) define each concept in such a way that comparisons are possible in terms of (a) transactions included and excluded, (b) the analytic unit for whom income is aggregated, and (c) the accounting period for which income is measured; and (3) indicate the studies which originally defined or elaborated the concept. The goal of the paper is to specify each concept **in** sufficient detail to identify the data items needed for its measurement by means of a household survey. While this goal proves elusive for certain concepts, the majority of those considered can be defined in a precise way.

## 1.1 Increased Need for Income Data

Major efforts have been undertaken in **the** last decade to improve the availability and quality of data on personal income. The original focus of much of this work stemmed from the perception of the problem of poverty and the need to expand the stock of information on which decisions could be made for the allocation of resources toward economic relief of the poverty population.

Prior to 1965, the major source **of** information was data from the Current Population Survey for national estimates. Detailed information on local area income distribution was available only from the Decennial Census.

While the Decennial Census figures provided useful in **a** number of analytic areas, concern was expressed that it did not provide sufficiently detailed information on which to base major policy decisions and assessments of the poverty problem.<sup>1</sup> The first major effort at improving this data base was the commissioning of **the** Survey of Economic Opportunity (SEO; Office of Economic Opportunity, 1967). *The SEO* represented a major improvement in the detail with which income data was reported for the low-income population. It also allowed the collection of more detailed information on family and individual characteristics, participation in federal programs, and other controlling factors. The original **SEO** was a two year effort, and was followed by the **commissioning** of the Survey Research Center to mount a longitudinal survey -- the Panel Study of Income Dynamics (Morgan and Smith, 1969). At approximately **the** same time, support was provided by the Department of Labor for the National Longitudinal Survey (Parnes, 1975). This effort was focused primarily on collecting detailed data on work history and employment experience for certain cohorts within the U.S. population. Obviously, however, **these data had to** be accompanied by asset and income data to reflect the outcome of the employment experience. Thus, while some differences exist in emphasis between the two longitudinal surveys, both represent major efforts at the joint determination of employment and income which have contributed enormously to our understanding of **the** inter-temporal dimensions of the poverty problem.

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<sup>1</sup>The Census reports data on cash earnings gross of taxes, and certain forms of unearned income paid **in** cash (property income and public and private cash transfers). See "Cash or Money Income" in Section 4.1 for a discussion of the limitations of this income concept.

A major **remaining** question, however, is whether these surveys provide a microdata base which is suitable for all major analytic uses. The concept of income differs between researchers attempting to answer the same question, as well as among different research areas. Thus any survey which attempts to provide data for a broad class of uses and users must concern itself with the possible alternative concepts of income which researchers using that data might wish to adopt. The alternative concepts differ in three broadly defined dimensions: (1) in the set of transactions included; (2) in the analytic unit for **whom** income is aggregated; and (3) in the time period over which income is measured.

It is important that this examination of the income concepts used in economic analysis be focused in a practical way on the data requirements implied for the survey by these income concepts. It is correct to say that even the most precise theoretical definition of income is formulated in terms which do not translate easily into a set of data requirements. In particular, rarely are the definitions described in terms of adding up items from a standard set of transactions.

**In** order to achieve this translation, it is often necessary to examine articles which use each concept empirically, as well as the articles which first **define the** concept. The authors of the former are often forced to modify existing data to conform with the theoretical concept they are using. Their description of this process (together with the definition of the data base) is most valuable in identifying the specific items to be included or excluded from each concept, **or the changes to be made in** recipient unit or accounting period. Both sorts of studies are discussed and cited below, although our emphasis is on the seminal article or articles for each concept.

## 1.2 Overview

The major focus of this paper is on microeconomic studies done by economists, although the national aggregates which correspond to each personal income concept are considered as well. The major areas of analysis which are examined include (1) consumption and savings; (2) the analysis of production by household members; (3) public finance, taxation and income redistribution; (4) the measurement of economic well-being; and (5) social accounting. Each area is further subdivided into subareas.

Within each area, alternative concepts of income are discussed in the order of their emergence. This chronological presentation of concepts is not an arbitrary choice. The concept of income has evolved in response to changes in social institutions--especially changes in the nature of family relationships and the growing importance of the state in redistributing income and altering consumption choices. A definition of income which was once appropriate to the study of human behavior can become obsolete due to these trends. Recognition of this stimulates attempts to devise better definitions.

The presentation of each concept of income begins with a discussion of its theoretical origins. Here primary reliance is placed on the original theoretical statement(s) and on those later studies which best define the concept. The analytic unit typically associated with the concept is also discussed. **For example**, earnings are normally identified with individuals, whereas measures of economic well-being are usually constructed for **multi-**person consuming or family units. Often the accounting period **over** which income is measured is a crucial element in the definition of an income concept. Given the information on the theoretical definition, the recipient unit, and the accounting period, an operational definition is supplied where this is feasible. This operational definition presents a detailed list of components--the items which must be included as sources of income, deductible expenditures, or other exemptions which must be subtracted from the income total to realize the theoretical definition. Finally, any problems or special features which that concept presents are addressed.

The final section of this chapter **summarizes** and compares the income concepts discussed. Tables are presented which allow the comparison of included components, exclusions and deductions, recipient units, and accounting period.

### 1.3 Economic Model of the Household

Every income concept is embedded within some model of behavior, even if the model is not explicitly stated. In order to understand how it is that different definitions of income can arise, it is useful to consider

such a model. Presented in Figure 1-1 is a flow chart<sup>1</sup> which displays the interrelationships among many of the important elements of what has become a widely adopted economic model of household behavior.

In the first quadrant (upper right) of the diagram, the process of consumption and saving is shown. Earnings, income from property, and cash transfer income together determine disposable income. Disposable income is allocated between consumption and saving. The latter may take the form of additions to home assets or accumulation of financial assets. The quadrant includes the contribution of in-kind transfers to total consumption of the household as well as the fact that expenditures include sales and excise taxes which are paid to governments.

The second quadrant (upper left) depicts the roles of the state. Taxes on earnings and income from property (income taxes), taxes on wealth (property taxes) and taxes on consumption (sales and excise taxes) together determine the revenues of the state. These revenues may then be used to transfer cash to households, to provide in-kind transfers, or to purchase goods and services which are collectively consumed (public spending).

In the third quadrant (lower left) is depicted the production decision the household faces. Each household member must allocate his or her time among competing uses: working in the market and earning income, working at home to provide services which are enjoyed by household members, or pursuing an education. The economic model assumes that this allocation is jointly determined by all household members, taking into account the relative contribution each member can make in each task, and that complete specialization is rarely possible or profitable.

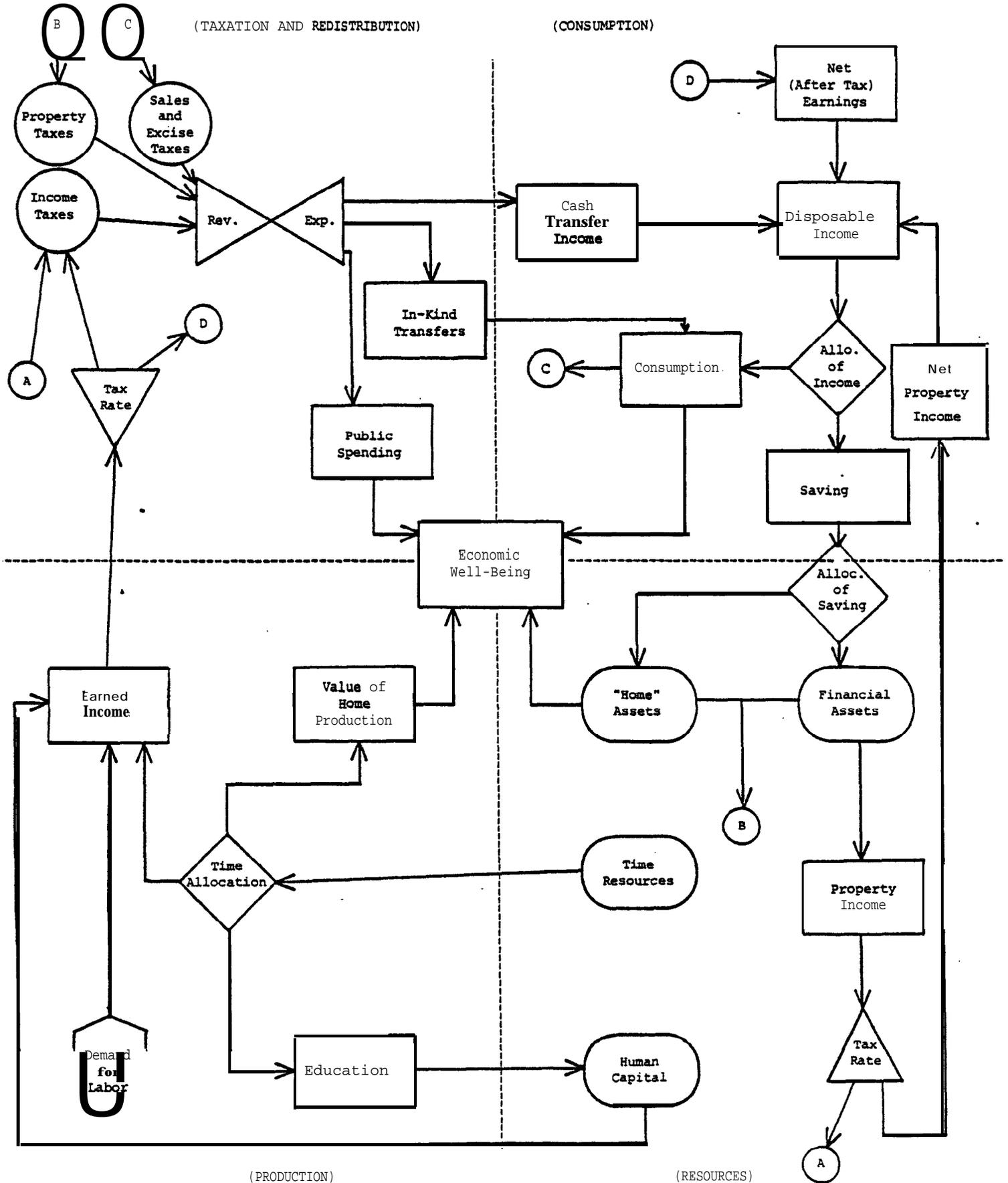
The fourth quadrant (lower right) assembles the resources which constitute the household's wealth. These may be classified as (a) financial assets,

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<sup>1</sup> Certain conventions are followed in the chart. Rectangular boxes denote flow of **income**, production or consumption; oval boxes denote stocks of wealth or resources; triangles represent a sorting or merging operation, such as the application of a tax on income or the combination of revenues from different sources; small circles with letters inside are connectors, used when a path cannot be drawn directly between two related elements; diamonds represent decision points, where major household decisions affect the flow of income or resources.

Figure 1-1 .

ECONOMIC MODEL OF THE HOUSEHOLD



which yield a monetary return, **(b)** home assets, which do not provide a cash income, but ~~do~~**provide** services, and **(c)** human capital and time, which together determine the rate at which the household can earn income.

in the center of the diagram is economic well-being. As shown it is a function of ordinary consumption, services provided by one's home assets, and benefits derived from public spending. Not shown is the dependence of economic well-being on the number and ages of family members, as well as its possible variation with locality of residence or other factors.

Income appears at several places in the model. An income concept results from a decision as to where to measure income and what types of transactions to include. Income, it must be remembered, is a flow not a stock. When one measures income, one determines the rate at which (dollar-weighted) transactions are occurring per unit time. Thus one may choose to measure income in Quadrants III and IV by combining **the** flows of earnings and property income. Alternatively, one may choose Quadrant I, where after tax income from the above sources is combined with cash transfer income to yield disposable income. The first measurement takes place before taxes are levied or transfers made by the state; the latter measurement incorporates the impact of taxation and redistribution. One may also choose to incorporate the effects of taxes, but not transfers, or vice versa.

Income also may be measured by including cash transactions only, or by including all forms of income, whether paid in cash **or in** kind. The combination of these two alternatives with the four alternative choices of point of measurement yield eight variants for income, shown in Table 1-1.

Each of the variants has been realized in some income concept. For certain variants such as number eight (Post-tax/Post-transfer, in cash **or in** kind), many concepts have been identified, which differ in **the** specific items of in-kind income included. The particular basis chosen depends on the analytic use to which the income concept is to be put. The pre-transfer measures (variants **1-4**) appear most often in studies of production behavior (Chapter **2**). Pre-tax/post-transfer measures (variants **5-6**) find their uses in studies of tax incidence and the impact of redistribution (Chapter **4**). Post-tax and transfer measures (variants **7-8**) are appropriate to the study of consumption and the distribution of income (Chapters **2** and **4**). Variant 8, in particular, is typically chosen when constructing measures of economic well-being (Chapter **5**).

Table 1-1

ALTERNATIVE BASES FOR MEASURING INCOME

<u>Point of Measurement</u>	<u>Included</u>	<u>Transactions Recognized</u>
(1) Pre-Tax/Pre-Transfer (Quadrants III and IV)	Earnings and property income	Cash only
(2) Pre-Tax/Pre-Transfer (Quadrants III and IV)	Earnings, property income, value of home production, <b>gross</b> imputed income from home assets, and educational investment	Cash/In Kind
(3) Post-Tax/Pre-Transfer (Quadrant I)	Net earnings and net property income	Cash only
(4) Post-Tax/Pre-Transfer (Quadrants I and III)	Net earnings, net property income, value of home production, services of home assets, and educational investment	Cash/In Kind
(5) Pre-Tax/Post-Transfer. (Quadrants I, III, & IV)	Earnings, property income, and cash transfer income	Cash only
(6) <b>Pre-Tax/Post-Transfer</b> (Quadrants I-IV)	Earnings, property income, value of home production, gross imputed income from home assets, educational investment, cash transfers, in kind transfers, and benefits from public spending	Cash/In Kind
(7) Post-Tax/Post-Transfer (Quadrant I)	Net earnings, net property income and cash <b>transfers</b>	Cash only
(8) Post-Tax/Post-Transfer (Quadrants I-III)	Net earnings, net property income, value of home <b>produc-</b> tion, services of home assets, educational investment, cash transfers, in kind transfers, and benefits from public spending	Cash/In Kind

Using the classification system presented above, Table 1-2 presents the income **concepts discussed** in this report and notes the section which deals with each. Inspection of the table makes clear that pre-tax and transfer income concepts (such as earnings and national income) are associated with the analysis of production (discussed in Chapter **3**), while post-tax and transfer concepts are more appropriate to the analysis of consumption and saving (Chapter **2**). On the other hand, students of income distribution and public finance have typically used measures which include transfers, but do not subtract taxes. These concepts are discussed in Chapter 4.

#### 1.4 Summary of Included Transactions

Table **1-3** presents, in considerably more detail, a set of component items which are used to describe the concepts of income considered in this paper. The detailed character of this list was developed in response to the often complex definitions of income used in determining eligibility for public assistance programs, as well as a need to describe the income data currently available. Barely does a theoretical definition of income require more than a distinction between earnings (A. Labor Income and B. Business Income), property income, public transfer payments (**D.** Public Cash Transfer Payments and E. Public In-kind Transfers), and private inter-unit transfers (**F.** Private Transfers in Cash or In-kind). However, a detailed listing of components falling into each of the above categories has been retained to facilitate comparisons between the income concepts reported here and those reported elsewhere.<sup>1</sup> All sources of income are measured gross of any direct taxes levied upon them. Tax categories are included in the "expenditures" section, along with other expenses sometimes netted out of a particular income concept. Definitions of each item are presented in Appendix A. The inclusion of Sections H and **J**, Assets and Liabilities respectively, requires explanation. Assets and liabilities are stocks, not flows. The difference between total assets and total liabilities is the net worth or wealth of the household. For most income concepts, wealth is irrelevant: the actual or imputed flow of wealth may be included, but not the stock of wealth itself. In Chapter 5, however, are presented economic well-being concepts which combine income and

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<sup>1</sup> See Preface for a list of other papers in this series.

TABLE 1-2  
INCOME CONCEPTS, ACCORDING TO BASIS

	<u>Discussed in Section</u>
<u>Types (1) and (2) Pre-tax/Pre-transfer concepts</u>	
Earnings	3.1
Earnings capacity	4.4
National income	6.1
<b>I.R.S.</b> taxable income	4.3
 <u>Types (3) and (4) Post-tax/Pre-transfer concepts</u>	
Negative income tax base	4.4
Net earnings	3.1
 <u>Types (5) and (6) Pre-tax/Post-transfer concepts</u>	
Cash flow or consumption tax base	4.3
Census money income	4.1
Comprehensive tax base	4.3
Family <b>income</b>	4.3
Personal income-aggregate definition	6.1
Personal income-size distribution definition	4.1
 <u>Types (7) and (8) Post-tax/Post transfer concepts</u>	
Adjusted broad <b>income</b>	4.4
<b>Disposable</b> personal income	2.1
Economic well-being	5.1, 5.4
Life-cycle income	2.2
Permanent income.	2.2
Potential income	3.2
Relative income	2.2

TABLE 1-3  
THE **BASIC** COMPONENT SET

INCOME

- A. Labor Income
  - A.1 Civilian Wages
  - A.2 Civilian Salaries
  - A.3 Tips and Gratuities
  - A.4 Honoraria and Awards
  - A.5** Sick Pay
  - A.6 WIN Payments
  - A.? Active Military Pay--Nonhazardous Duty
  - A.8 Active Military Pay-Hazardous Duty
  - A.9 Military Reserve Pay
  - A.10 Insurance Provided by **Employer**
  - A.11 Employer Contributions to Pension Plan
  - A.12 Earnings **Paid** in Kind
  - A.13 Value of Bargain Purchases from Employer
  - A.14 Imputed Income from Home Activity
  - A.15 Imputed **Income** while Attending School
  - A.16 Value of Leisure Time
- B. Business Income
  - B.1 Net Income from Business Proprietorship
  - B.2 Net Income **from Business** Partnership
  - B.3 Net Income from Farm Proprietorship
  - B.4 Net Income from Farm Partnership
  - B.5 Value of Food Produced and Consumed by Owner of Farm
  - B.6 Gambling Winnings or Losses
- c. Property Income
  - C.1 Interest
  - c.2 Dividends
  - c.3 Net Income from Rental Property
  - c.4 Royalties
  - C.5** Realized Capital Gains or Losses
  - C.6 Unrealized Capital Gains or Losses
  - c.7 Imputed Rent on Owner-Occupied Home
  - C.8** Imputed Service Value of Durable Goods
  - C.9** Receipts from Private Pension Plan
  - C.10** Receipts from Public Pension Plan
  - C.11** Income from a **Trust**
  - c.12 Retained Earnings of Corporation
  - C.13** Corporate Income Tax Liability
- D. Public Cash Transfer Payments
  - D.1 Social Security Retirement Benefits
  - D.2 Social Security Disability Benefits
  - D.3** Social Security **Survivor's** Benefits
  - D.4 Railroad Retirement Benefits
  - D.5 Unemployment Benefits
  - D.6 **Workmen's** Compensation Payments
  - D.7 Veteran's Disability Pension--Service Connected
  - D.8** Veteran's Disability Pension--Nonservice Connected
  - D.9 Pension for Survivors of Veterans

THE BASIC COMPONENT SET

- D.10 **Veteran's** Educational Benefits
- D.11 Aid to Families with Dependent Children
- D.12 Supplemental Security Income
- D.13 General Assistance
- D.14 Other Public Assistance

**E.** Public In-kind Transfers

- E.1 Bonus Value of Food Stamps
- E.2 School **Meal** Subsidy
- E.3 Medicare Benefits
- E.4 Medicaid Benefits
- E.5 Medical Care Provided by Veterans Administration
- E.6 Public Housing Subsidy
- E.7 Assistance to Homeowners (Section 235 and 502)
- E.8 Assistance to Renters (Section 8.101.236.515)
- E.9** Subsidy from Public Higher Education
- E.10 Scholarships and Fellowships

**F.** Private Transfers in Cash and in Kind

- F . 1 Alimony and Child Support Receipts
- F.2 Gifts
- F.3 Bequests
- F.4 Damages (Net of Associated Costs)
- F.5 Scholarships and Fellowships
- F.6 **Training** Provided by Employer
- F.7 Prizes and Awards
- F.8 Support Provided by Others
- F.9 Proceeds from Life Insurance

**EXPENDITURES**

- G.1** Commuting Cost
- G.2 Child Care--Within the Home
- G.3** Child Care--Outside the **Home**
- G.4 Union Dues
- G.5** Dues to Professional Organizations
- G.6 Clothing and Tools Required in Work
- G.7 Educational Expenses
- G.8 Medical Expenses
- G.9** Medical Insurance Premiums
- G.10 Bent
- G.11 Mortgage Principal and Interest
- G.12 Utility Payments
- G.13** Insurance on Home
- G.14 Federal Income Taxes
- G.15 F.I.C.A. Taxes
- G.16 State Income Taxes
- G.17 Local Wage or Income Taxes
- G.18** State **Sales or** Excise Taxes
- G.19 State and Local Property Taxes
- G.20 Moving Expenses
- G.21 Interest Paid
- G.22 Charitable Contributions

THE BASIC COMPONENT SET

- G.23 Alimony and Child Support Payments
- G.24 **Casualty** Losses
- G.25 Payments for Support of Others

ASSETS AND LIABILITIES

- H.1 Value of Home
- H.2 Value of Home Furnishings
- H.3 Value of Vehicle(s)
- H.4 value of Business Property
- H.5 Value of Farm or Ranch
- H.6 Value of Other **Real** Property
- H.7** Value of Other Personal Property
- 8.8 Bonds
- H.9 Securities
- H.10 Checking Accounts
- H.11** Savings Accounts
- H.12 Cash Value of Life Insurance
- H.13 Loans Owed by Individuals
- H.14, Present Value of Pension Bights
- H.15** Other Amounts Due
- H.16 Net (Depreciated) Value of Human Capital
  
- J.1 Mortgage Debt on Home
- J.2 Installment Credit Debt
- 5.3 Outstanding Debt on Car Loan
- 5.4 Debt Secured by Business Property.
- J.5 Mortgage Debt on Farm or Ranch
- J.6 Mortgage Debt on Other **Real** Property
- 5.7 Debt to Brokers or Dealers
- 5.8 Personal Loan Balance Outstanding
- J.9 Amount Owed to Other Individuals
- J.10** Other Amounts Payable

wealth into a single measure; for these concepts the specific items **included** in wealth become important and are reported.

Table 1-4 uses the basic component set to summarize and compare the transactions included and **excluded in** the income concepts discussed in this report. This table is especially useful when one wishes to compare two or more income concepts. As an example, one may compare the existing definition of taxable income with the proposed comprehensive tax base. The latter includes such components as capital gains, public cash transfer payments, and private transfers not now included in the definition of taxable income.

Because the components are similar to included entries (as regards included and excluded components), **no** tabulation is provided for the following concepts: relative income; permanent **income** (see Disposable Personal Income); adjusted broad income (see **Family Income**); earnings capacity (see Potential Income). The various economic well-being measures are also not tabulated. They represent **adjustments to** family income concept to take account of wealth, leisure, and needs.

#### 1.5 Summary Of Analytic Units and Accounting Periods

Income concepts differ as well in the analytic unit for whom income is typically aggregated. Table 1-5 identifies the analytic unit most commonly associated with each concept. Production-based concepts typically use the individual, while other concepts require a multi-person unit. While the Census Bureau and other survey **organizations** have typically adopted the existence of familial links among household members, as the basis for forming such units, many analysts have criticized the use of kinship links, rather than economic linkages, as a basis for assigning persons to an analytic unit (see Chapter 4). Thus the use of the term "family" for distributional concepts is a concession to available data; preferable **alternatives** suggested include a consuming unit, a nuclear family (husband, wife, and minor children only), or an adult unit (single adult, together with minor children living within the same household). Accounting periods vary, but the crucial distinction is between current measures (annual or shorter period) and lifetime measures, based on expected future income. An unresolved conceptual problem with the latter group is the combination of a lifetime measure with a multiperson unit. What is the "lifetime" of a family? The implicit (or rarely, explicit)

TABLE 1-4  
SUMMARY OF COMPONENTS INCLUDED IN INCOME CONCEPTS

COMPONENTS	Disposable Personal Income	Life Cycle Income	Earnings	Potential Income	Net Earnings	Census Money Income	BEA-Personal Income-Size Distribution	Taxable Income	Comprehensive Tax Base	Consumption Tax Base	Family Income	Negative Income Tax Base	Income In-kind	National Income	Personal Income
<b>A. Labor Income</b>															
A.1 Civilian Wages	X	X	X	X	X	X	X	X	X	X	X	X		X	X
A.2 Civilian Salaries	X	X	X	X	X	X	X	X	X	X	X	X		X	X
A.3 Tips and Gratuities	X	X	X	X	X	X	X	X	X	X	X	X		X	X
A.4 Honoraria and Awards	X					X	X	X	X	X	X	X		X	X
A.5 Sick Pay	X	X				X	X	X	X	X	X	X		X	X
A.6 WIN Payments	X					X	X	X	X	X	X	X			X
A.7 Active Military Pay--Nonhazardous Duty	X	X	X	X	X	X	X	X	X	X	X	X		X	X
A.8 Active Military Pay--Hazardous Duty	X	X	X	X	X	X	X	X	X	X	X	X		X	X
A.9 Military Reserve Pay	X	X	X	X	X	X	X	X	X	X	X	X		X	X
A.10 Insurance Provided by Employer			X	X	X		X				X		X	X	
A.11 Employer Contributions to Pension Plan			X	X	X						X			X	
A.12 Earnings Paid in Kind			X	X	X		X				X		X	X	X
A.13 Value of Bargain Purchases from Employer			X	X	X						X				
A.14 Imputed Income from Home Activity				X									X		
A.15 Imputed Income while Attending School				X									X		
A.16 Value of Leisure Time				X									X		
<b>B. Business Income</b>															
B.1 Net Income from Business Proprietorship	X	X	X	X	X	X	X	X	X	X	X	X		X	X
B.2 Net Income from Business Partnership	X	X	X	X	X	X	X	X	X	X	X	X		X	X
B.3 Net Income from Farm Proprietorship	X	X	X	X	X	X	X	X	X	X	X	X		X	X
B.4 Net Income from Farm Partnership	X	X	X	X	X	X	X	X	X	X	X	X		X	X
B.5 Value of Food Produced and Consumed by Owner of Farm				X	X		X			X	X		X	X	X
B.6 Gambling Winnings or Losses	X					X	X	X	X	X	X	X			
<b>C. Property Income</b>															
C.1 Interest	X			X		X	X	X	X	X	X	X	X	X	X
C.2 Dividends	X			X		X	X	X	X	X	X	X		X	X
C.3 Net Income from Rental Property	X			X		X	X	X	X	X	X	X		X	X
C.4 Royalties	X			X		X	X	X	X	X	X	X		X	X
C.5 Realized Capital Gains or Losses	X			X				X	X	X	X	X			
C.6 Unrealized Capital Gains or Losses				X							X				
C.7 Imputed Rent on Owner-Occupied Home				X			X		X		X	X	X	X	
C.8 Imputed Service Value of Durable Goods				X									X		
C.9 Receipts from Private Pension Plan	X			X		X	X	X	X	X	X	X			
C.10 Receipts from Public Pension Plan	X			X		X	X	X	X	X	X	X			
C.11 Income from a Trust	X					X	X	X	X	X	X	X			X
C.12 Retained Earnings of Corporation														X	
C.13 Corporate Income Tax Liability														X	
<b>D. Public Cash Transfer Payments</b>															
D.1 Social Security Retirement Benefits	X	X		X		X	X		X	X	X	X			X
D.2 Social Security Disability Benefits	X	X		X		X	X		X	X	X	X			X
D.3 Social Security Survivor's Benefits	X	X		X		X	X		X	X	X	X			X
D.4 Railroad Retirement Benefits	X	X		X		X	X		X	X	X	X			X
D.5 Unemployment Benefits	X	X		X		X	X		X	X	X	X			X
D.6 Workmen's Compensation Payments	X	X		X		X	X		X	X	X	X			X
D.7 Veteran's Disability Pension--Service Connected	X	X		X		X	X		X	X	X	X			X
D.8 Veteran's Disability Pension--Non-service Connected	X	X		X		X	X		X	X	X	X			X
D.9 Pension for Survivors of Veterans	X	X		X		X	X		X	X	X	X			X
D.10 Veteran's Educational Benefits	X	X		X		X	X		X	X	X	X			X
D.11 Aid to Families with Dependent Children	X	X		X		X	X		X	X	X	X			X
D.12 Supplemental Security Income	X	X		X		X	X		X	X	X	X			X
D.13 General Assistance	X	X		X		X	X		X	X	X	X			X
D.14 Other Public Assistance	X	X		X		X	X		X	X	X	X			X
<b>E. Public In-kind Transfers</b>															
E.1 Bonus Value of Food Stamps				X			X				X	X	X		X
E.2 School Meal Subsidy				X							X	X			
E.3 Medicare Benefits				X			X				X	X			X
E.4 Medicaid Benefits				X							X	X			
E.5 Medical Care Provided by Veterans Administration				X							X	X			
E.6 Public Housing Subsidy				X							X	X			
E.7 Assistance to Homeowners (Section 235 and 502)				X							X	X			
E.8 Assistance to Renters (Section 8, 101, 236, 515)				X								X			
E.9 Subsidy from Public Higher Education				X							X	X			
E.10 Scholarships and Fellowships				X						X	X	X	X		

TABLE 1-4 (continued)  
SUMMARY OF COMPONENTS INCLUDED IN INCOME CONCEPTS

COMPONENTS	Disposable Personal Income	Life Cycle Income	Earnings	Potential Income	Net Earnings	Census Money Income	BEA-Personal Income-Size Distribution	Taxable Income	Comprehensive Tax Base	Consumption Tax Base	Family Income	Negative Income Tax Base	Income In-kind	National Income	Personal Income
<b>F. Private Transfers in Cash and in Kind</b>															
F.1 Alimony and Child Support Receipts	X	X		X		X	X	X	X	X		X			
F.2 Gifts	X	X		X		X		X	X	X		X	X		
F.3 Bequests	X	X		X					X	X		X	X		
F.4 Damages (Net of Associated Costs)	X	X		X				X	X	X		X			
F.5 Scholarships and Fellowships	X	X		X		X		X	X	X		X	X		
F.6 Training Provided by Employer				X	X			X							
F.7 Prizes and Awards	X	X													
F.8 Support Provided by Others	X	X		X				X	X			X	X		
F.9 Proceeds from Life Insurance	X			X					X						
<b>G. Expenditures</b>															
G.1 Commuting Cost				X	X							X			
G.2 Child Care--Within the Home				X	X			X	X	X		X			
G.3 Child Care--Outside the Home				X	X			X	X	X		X			
G.4 Union Dues				X	X			X	X	X		X			
G.5 Dues to Professional Organizations				X	X			X	X	X		X			
G.6 Clothing and Tools Required in Work				X	X			X	X	X		X			
G.7 Educational Expenses				X	X			X	X	X		X			
G.8 Medical Expenses								X	X	X		X			
G.9 Medical Insurance Premium								X	X	X					
G.10 Rent															
G.11 Mortgage Principal and Interest															
G.12 Utility Payments															
G.13 Insurance on Home															
G.14 Federal Income Taxes	X	X		X	X							X			
G.15 F.I.C.A. Taxes	X	X		X	X							X			X
G.16 State Income Taxes	X	X		X	X			X	X	X		X			
G.17 Local Wage or Income Taxes	X	X		X	X			X	X	X		X			
G.18 State Sales or Excise Taxes								X	X	X					
G.19 State and Local Property Taxes								X	X	X					
G.20 Moving Expenses				X	X			X	X	X					
G.21 Interest Paid								X	X	X					X
G -- Charitable Contributions								X	X	X					
G.23 Alimony and Child Support Payments				X				X	X	X		X			
G.24 Casualty Losses				X				X	X	X		X			
G.25 Payments for Support of Others									X						
<b>H. Assets</b>															
H.1 Value of Home		X										X			
H.2 Value of Home Furnishings		X										X			
H.3 Value of Vehicle(s)		X										X			
H.4 Value of Business Property		X										X			
H.5 Value of Farm or Ranch		X										X			
H.6 Value of Other Real Property		X										X			
H.7 Value of Other Personal Property		X										X			
H.8 Bonds		X										X			
H.9 Securities		X										X			
H.10 Checking Accounts		X										X			
H.11 Savings Accounts		X										X			
H.12 Cash Value of Life Insurance		X										X			
H.13 Loans Owed by Individuals		X										X			
H.14 Present Value of Pension Rights		X										X			
H.15 Other Amounts Due		X										X			
H.16 Net (Depreciated) Value of Human Capital															
<b>J. Liabilities</b>															
J.1 Mortgage Debt on Home		X										X			
J.2 Installment Credit Debt		X										X			
J.3 Outstanding Debt on Car Loan		X										X			
J.4 Debt Secured by Business Property		X										X			
J.5 Mortgage Debt on Farm or Ranch		X										X			
J.6 Mortgage Debt on Other Real Property		X										X			
J.7 Debt to Brokers or Dealers		X										X			
J.8 Personal Loan Balance Outstanding		X										X			
J.9 Amount Owed to Other Individuals		X										X			
J.10 Other Amounts Payable		X										X			

TABLE 1-5

## SUMMARY OF ANALYTIC UNITS AND ACCOUNTING PERIODS

<u>Concept</u>	<u>Analytic Unit</u>	<u>Accounting Period</u>
<b>CONSUMPTION AND SAVING (Chapter 2)</b>		
(1) Disposable personal income	Consuming Unit <sup>1</sup>	Annual or shorter period <sup>2</sup>
(2) Relative income	consuming Unit <sup>1</sup>	Annual or shorter period
(3) Life cycle hypothesis	Consuming Unit <sup>1</sup>	Lifetime
(4) Permanent income	Consuming Unit <sup>1</sup>	Lifetime
<b>PRDDUCTION THEORY (Chapter 3)</b>		
(5) Earnings	Individual	Annual or shorter period
(6) Potential income	Individual/Household	Lifetime
(7) Net earnings	Individual	Annual or shorter period
<b>INCOME DISTRIBUTION AND REDISTRIBUTION (Chapter 4)</b>		
(8) Census money income	Family <sup>3</sup>	Annual
(9) Personal income-site distribution definition	Family	Annual
(10) I.R.S. taxable income	Varies	Annual
(11) Canprehensive tax base	Not Specified <sup>4</sup>	Annual
(12) Cash flow in consumption tax base	Not Specif ied <sup>4</sup>	Annual
(13) Family income	Family	Annual
(14) Negative income tax base	Nuclear Family	Monthly
(15) Adjusted broad income	Family	Annual
(16) Earnings capacity	Family	Annual
<b>ECONOMIC WELL-BEING (Chapter 5)</b>		
(17) Morgan-Smith EWB	Family	(Multi) Annual
(18) Xansen-Weisbrod EWB	Family	Lifetime
(19) Taussig EWB	Family or Consuming Unit	Depends on Age <sup>5</sup>
<b>SOCIAL ACCOUNTS (Chapter 6)</b>		
(20) National income.	Nation	Annual
(21) Personal income	Nation	Annual
(22) Measure of economic welfare	Nation	Annual

NOTES

<sup>1</sup>A consuming unit is a group of individuals who pool resources and make consumption decisions collectively or by assignment of responsibility to an individual within the group.

<sup>2</sup>For many concepts, whether income is measured weekly, monthly, quarterly, or annually is not of theoretical importance as long as the measure is based on current, not past or expected future, income.

<sup>3</sup>"Family" means all family members within a household, with all other persons treated as individual units. The use of this definition has been extensively criticized. (See Chapter 4.)

<sup>4</sup>Tax authorities differ on the question of the appropriate filing unit. Some would make joint returns mandatory for husband and wife; others would eliminate joint returns altogether.

<sup>5</sup>Taussig suggests confinding comparisons of well-being to narrow cohorts, defined by the age of head. He would use lifetime income measures for young cohorts and current or money income measures for the elderly.

assumption **is that** the expected lifetime of adult family members defines the appropriate horizon of measurement. Expected future income **of** minor children is ignored, since they are presumed to leave the unit once they become capable of self-support. The extensive sharing of income between family members living in different households (wealthy parents aiding children; children supporting elderly parents) has not received the attention it deserves.

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