

CHAPTER II

THE DETERMINATION OF INCOME

§1 DETERMINATION OF INCOME BY THE REAL OR OBJECTIVE METHOD

IN the domain of social wealth, income, thus produced, occupies an enormous field, which must now be accurately determined. Let us suppose that in any given period of time, in any single year, for example, a certain total product is obtained by the utilisation, in any society or in any particular country, of land, labour, and capital; in order to ascertain the proportion of this sum total which constitutes income, a series of deductions must be made. More particularly, it is necessary to deduct from the gross product:

(a) All that quantity of the product which is required for the reintegration of those objects of consumption which are not susceptible of indefinite reproduction. In fact, the essential character of income being its periodical reproduction for an indefinite term, no consumable wealth which cannot be indefinitely reproduced is income, nor do those products constitute income which serve to reintegrate what is consumed. Thus, a dwelling-house bought with part of a legacy, being an object which is not periodically reproduced, is not part of income; thus, also, the amount of wealth which is required for repairs to this dwelling-house constitutes no part of income;

(b) All that quantity of the product which is required for the reintegration of the technical capital, whether productive or unproductive, consisting of articles not directly consumable but partially used up in the process of production or in that of administration.¹ In the case of industries not liable to exhaus-

¹ *Fructus eos esse constat qui, deducta impensa, supererunt*, L. 7, D. *Soluto matrimonio, dos quemadmodum petatur*, XXIV, 3. In Roman law, the dis-