



The Income Concept in the Light of Experience*

INTRODUCTION

The rapid extension of Income Taxation during the present generation has given a new impulse to the study of income. The question "What is Income?" has become a burning question for legislatures, administrators, judges, and statisticians, as well as economists. Professor William W. Hewett† says:

"Almost countless debatable questions press for answer. Is income the *money* one acquires within a period of time, or the *goods* one buys with the money, or the *satisfaction* experienced by the consumption of the goods? Should some commodities and services which do not involve money payments be included, as, for example, the service of a dwelling house occupied by the owner himself? Are the savings one puts aside for future profit to be classed as income, or must only consumed earnings be counted? When a corporation adds to its surplus in lieu of dividends, has the shareholder received income? Gifts, inheritances, stock dividends, appreciations in property values—how shall they be classified?"

Many persons, even economists like Kleinwächter‡, have, in times past, practically despaired of answering these questions. The same despairing attitude is taken by one of the latest English writers, Raymond Needham, Barrister-at-Law§:

"What is really at the root of the trouble is the impossibility of saying what is income. And that, I take it, will go on, no matter how the Act is worded."

Yet it can be shown that a concept of income exists which clears up all ambiguities and leaves no room for misunderstanding—

* English reprint. The original publication of this article was in German in Vol. III of the Wieser Festschrift, *Die Wirtschaftstheorie der Gegenwart*, 1927, Vienna.

† *Definition of Income and its Application in Federal Taxation*, 1925, Westbrook Pub. Co., Phila., p. 9.

‡ *Das Einkommen und seine Verteilung*. Leipzig, 1896, p. 11.

§ "Income Tax. The Distinction between Capital and Income." *The Accountant*, June 6, 1925, p. 917.