

ing or dispute by tax collectors or tax payers, barristers or judges, legislators or the public. This is the income concept adopted by me in 1897* and later more fully outlined and defended in 1906 in *The Nature of Capital and Income*. Having read, I think, every article or book attempting to overthrow this concept, I have yet to see an argument which has not been met and answered in *The Nature of Capital and Income*.

The present short article cannot, of course, cover the controversy fully. It can only summarize the main argument and supply fresh evidence based on the practical teachings of the school of experience. Any reader who still has doubts is respectfully referred to the fuller writings cited above.

WHAT IS INCOME?

A good definition should conform to two tests; it should be useful for scientific analysis; and it should harmonize with popular and instinctive usage,—so far as this second condition is feasible and compatible with the first. *Perfect* conformity to popular usage is, naturally, out of the question, for the simple reason that popular usage is vague and inconsistent with itself.

For this reason, as well as for more important reasons, fitness for scientific analysis is always paramount in a scientific definition. In fact the true scientist does not start with a word and then try to fit a concept to that word. On the contrary, he starts with a concept and then tries to fit a word to that concept. The name is merely the label of the idea. No physicist starts with a word "heat" or "energy" or "work" and then gets his concept out of the dictionary. If he did, he could not, for instance, speak of the "heat in ice", for in popular usage there is no "heat in ice" but only "cold". Of course science cannot dictate to popular usage. But neither can popular usage dictate to science.

There are two fundamental concepts with which we have to deal: first, a stock of goods at any given point of time; and second, the flow of services from this stock during a period of time. The first I like to call "capital"; the second, "income". In deference to popular usage, however, some verbal controversy may be avoided by confining the terms capital and income to the *value* (in terms of money usually) of the two things mentioned, and calling those things themselves simply "stock" and "services" to which no one can take exception. In this article I shall use the words only in this *value* sense, designating as "capital" *the value*

* "The Rôle of Capital in Economic Theory." *Economic Journal*, Dec., 1897, pp. 534-537.