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A REVIEW OF INCOME CONCEPTS
USED IN ECONOMIC ANALYSIS

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PREFACE

The Income Survey Development Program (**ISDP**) has been established within the Department of Health, Education, and Welfare to plan a new recurring survey of income, assets, program eligibility and participation, and related data to overcome major inadequacies in currently available survey data. The main purpose of the Income Survey Development Program is to research and resolve a series of technical and operational issues prior to adopting a final design framework for the new survey. In the next few years, a series of experiments and pilot tests will be conducted, leading to implementation of the fully operational **Survey of Income and Program Participation (SIPP)** in the nineteen-eighties.

This series of four papers, prepared by Abt Associates Inc., provides background related to the data requirements for the survey, focusing in particular on the definition of income, the **interview** or recipient unit, and the accounting period.

"United States Data Bases Measuring Income" describes relevant existing data bases that contain income, expenditures, or asset data. The purpose and history of each data base is briefly discussed, as background for the enumeration of the income concept, recipient unit, and accounting period used in each data **base**.

"Characteristics of Selected Income-Tested Programs" summarizes the regulations that determine eligibility and benefit levels for selected **income-tested** programs, especially as they relate to the definition of income. This paper, thus, provides background so that the survey can be designed to collect the income data required to analyze existing as well as **alternative** income-tested programs.

"Review of Income Concepts Used in Economic Analysis" reviews the theoretical concepts of income that have been developed in various fields of economic analysis. Related existing empirical definitions and their limitations are also considered as background for the data requirements for the new survey.

"Methodological Issues in the Collection of Financial-Data" discusses the methodological problems which are likely to be associated with data collection in the new survey. The paper also considers the relative importance

of the **components** of income, and Provides **empirical** evidence related to the **accuracy** of their measurement. Research is proposed to **improve** the **quality** of the data collected in the new survey.

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TABLE OF CONTENTS

	<u>Page</u>
PREFACE	i
ACKNOWLEDGEMENTS	iii
LIST OF TABLES	vii
LIST OF FIGURES	ix
1.0 INTRODUCTION	1
1.1 Increased Need for Income Data	2
1.2 Overview	3
1.3 Economic Model of the Household	4
1.4 Summary of Included Transactions	9
1.5 Summary of Analytic Units and Accounting Periods	14
References to Chapter 1	19
2.0 CONSUMPTION AND SAVING	21
2.1 The Concept of Income in the Consumption Function	21
2.2 Modern Extensions of Consumption Theory	27
2.3 Impact of Wealth on Consumption	34
2.4 Allocation of Saving Among Financial and Real Assets	35
2.5 Dynamic Models of Consumer Behavior	37
2.6 Extensions of Consumer Demand Theory: Current and Future Trends	38
2.7 summary: Data Requirements in the Area of Consumption and Saving Behavior	39
Selected Bibliography to Chapter 2	41
3.0 PRODUCTION THEORY	47
3.1 Labor Supply	49
3.2 Demand Factors	55
3.3 Education and Earnings	56
3.4 Home Production	67
3.5 Fertility and Child Care	69
3.6 Summary: Data Requirements Stemming from Advances in Production Theory	71
Selected Bibliography to Sections 3.1 and 3.2	73
Selected Bibliography to Section 3.3	79
Selected Bibliography to Section 3.4	83
Selected Bibliography to Sections 3.5 and 3.6	85
4.0 INCOME DISTRIBUTION AND REDISTRIBUTION	89
4.1 Size Distribution of Income	89
4.2 Theoretical Treatment of Income Distribution	104
4.3 Taxable Income Concepts	105
4.4 Redistribution of Income	125

TABLE OF CONTENTS (continued)

	<u>Page</u>	
4.5	Income In-Rind	135
4.6	summary	144
	Selected Bibliography to Sections 4.0-4.2)	147
	Selected Bibliography to Section 4.3	155
	Selected Bibliography to Section 4.4	159
	Selected Bibliography to Section 4.5	163
5.0	ECONOMIC WELL-BEING	165
5.1	Specific Approaches to Measuring Economic Well-Being	165
5.2	Determining an Index of Need	166
5.3	Combining Income and Wealth	172
5.4	Adjustment for Leisure	175
5.5	Summary	177
	Selected Bibliography to Chapter 5	179
6.0	SOCIAL ACCOUNTS	183
6.1	National Income Accounts	183
6.2	Revisions Suggested for the National Income and Product Accounts	188
6.3	Summary	194
	Selected Bibliography to Chapter 6	197
APPENDIX A:	DEFINITIONS OF COMPONENTS OF INCOME, EXPENDITURES, ASSETS AND LIABILITIES	A-1
APPENDIX B:	CONSOLIDATED BIBLIOGRAPHY	B-1

LIST OF TABLES

		<u>Page</u>
1-1	ALTERNATIVE BASES FOR MEASURING INCOME	a
1-2	INCOME CONCEPTS, ACCORDING TO BASIS	10
1-3	THE BASIC COMPONENT SET	11
1-4	SUMMARY OF COMPONENTS INCLUDED IN INCOME CONCEPTS	15
1-5	SUMMARY OF ANALYTIC UNITS AND ACCOUNTING PERIODS	17
2-1	DISPOSABLE PERSONAL INCOME UNIT OF ANALYSIS	2s
2-2	LIFE CYCLE INCOME AND WEALTH CONCEPTS	30
3-1	EARNINGS	48
3-2	POTENTIAL INCOME	52
3-3	NET EARNINGS (MINCER'S CONCEPT)	59
4-1	CENSUS MONEY INCOME	91
4-2	PERSONAL INCOME-SIZE DISTRIBUTION DEFINITION	95
4-3	JOHN DOE'S LIFE CYCLE	103
4-4	IRS TAXABLE INCOME	106
4-5	COMPREHENSIVE TAX BASE	113
4-6	CASH FLOW OR CONSUMPTION TAX BASE	116
4-7	FAMILY INCOME (PECHMAN/OKNER)	121
4-a	NEGATIVE INCOME TAX BASE	128
4-9	SOURCES OF INCOME IN-KIND	136
6-1	NATIONAL INCOME	1a4
6-2	PERSONAL INCOME	186
6-3	TOBIN-NORDHAUS MEASURE OF ECONOMIC WELFARE	193

LIST OF FIGURES

	<u>Page</u>
1-1 ECONOMIC MODEL OF THE HOUSEHOLD	6

2

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