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3. DISTRIBUTION OF INCOME BY  
STATES IN 1919**

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**OSWALD W. KNAUTH**

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OF THE STAFF OF THE NATIONAL BUREAU OF ECONOMIC RESEARCH



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## PREFATORY NOTE

The "Distribution of Income by States in 1919" is a by-product of the volumes on "Income in the United States" which have already been published by the Bureau. It is one of a series of studies which the Bureau is undertaking in connection with its main topics of research and which may later be collected in a formal volume. It is issued at this time in order to meet the special needs of many investigators concerned with the comparative capacity of the various states to bear increased taxes, to buy goods of various sorts, to absorb securities, etc. It also indicates the relative importance of agriculture in the different sections of the country.

The present study undertakes to distribute the aggregate income of the American people among the States on the basis of such official data and other indices as are available. This distribution is based on data for 1919, and no single year is "typical." The small incomes received by farmers in Montana after the bad weather of 1919 certainly do not represent average conditions and probably less striking anomalies exist among the figures for other States. However, the distribution must rest upon the State data gathered by the Census and those data are to be had only for 1919.

The reader who is looking for results, and is not interested in the method, will find these results presented in tabular form on pages 25 to 30.

Like all publications of the National Bureau of Economic Research, this paper has been submitted for criticism to the Bureau's directors and approved by them. Hearty thanks are due to members of the Board for their help in improving what remains at best a rough set of approximations.

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# THE DISTRIBUTION OF INCOME BY STATES

in 1919

## I. INTRODUCTION

In a previous publication of this Bureau, the income of the United States in 1919 was estimated at 66.7 billion dollars.<sup>1</sup> This estimate was based on the incomes received by gainfully employed persons, and was divided into the following categories—

INCOME OF THE UNITED STATES, 1919	
	Billion dollars
Income of persons receiving over \$2,000 per year (excluding farmers and farm laborers).....	\$18.90
Income of persons receiving under \$2,000 per year (excluding farmers and farm laborers).....	32.65
Income of Farm Laborers.....	2.30
Income of Farmers.....	10.85
Corporate Surplus.....	2.00
Total.....	\$66.70 <sup>2</sup>

Many of the items on which these estimates for the country rest are available also by States. The Bureau of the Census has published in its advance bulletins the number of gainfully employed persons on January 1, 1920 and most of the details concerning farmers. The Bureau of Internal Revenue has published by States the amount of income reported under the income-tax law. Where direct data of this kind are lacking, it is possible to construct index numbers which can be used to distribute parts of the total National Income among the 48 States. Such State estimates, of course, cannot have the same accuracy as the larger estimate of the National Income, if for no other reason than that a small error is more important in a small total than it is in a large one.

For many purposes, it is quite as important to know the proportions of income received by States as it is to know the total for the country. Cer-

<sup>1</sup> *Income in the United States*, Volume II, chap. 26. Harcourt, Brace & Company.

<sup>2</sup> The amount distributed in the summary table below is 66.2 billion dollars; the difference of one-half billion dollars being the amount paid to soldiers which it was impossible to distribute among states in 1919.