CHAPTER IX

Summary and Conclusion

THE central theme of this monograph can be illustrated by a simple hypothetical example. Consider a large number of men all earning \$100 a week and spending \$100 a week on current consumption. Let them receive their pay once a week, the pay days being staggered, so that one-seventh are paid on Sunday, one-seventh on Monday, and so on. Suppose we collected budget data for a sample of these men for one day chosen at random, defined income as cash receipts on that day, and defined consumption as cash expenditures. One-seventh of the men would be recorded as having an income of \$100, six-sevenths as having an income of zero. It may well be that the men would spend more on pay day than on other days but they would also make expenditures on other days, so we would record the one-seventh with an income of \$100 as having positive savings, the other six-sevenths as having negative savings. Consumption might appear to rise with income, but, if so, not as much as income, so that the fraction of income saved would rise with income. These results tell us nothing meaningful about consumption behavior; they simply reflect the use of inappropriate concepts of income and consumption.