porate income tax. The number of paired observations was 94. We can be 87.2 percent confident that the individual income tax is more responsive to income changes than the corporate income tax. But this is not too significant an observation because the corporate income tax yield is likely to respond to other factors than the personal income tax, whereas personal income taxes are more likely to respond to personal income. Of course, the State individual income tax responds better to rising prices and incomes than the property tax. For Alabama, Arizona, Colorado, Iowa, and Louisiana for various years since 1942 we have 34 paired observations, and on the basis of this we can be 98.8 percent confident that the individual income tax responds more to income changes than the property tax base.

INFLATION AND THE YIELD OF THE INCOME TAX

One of the interesting aspects of the inflationary process under our tax situation is that as inflation proceeds there is a tendency for the yield of the income tax to rise because of the inflationary effects. Income-tax payers tend to be shifted to higher brackets of tax liability where rates are also higher.

> * * * This inflation shifted taxpayers into higher brackets of income tax liability and increased the effective tax rates to which they were subject, quite apart from any changes in statutory tax rates. Furthermore, real incomes increased during this period. This factor reinforcing the effect of rising prices tended further to shift taxpayers into higher brackets of tax liability.[24]

Consider the following table:

TABLE 4–5.—*Percentages of family personal income taken by the Federal individual income tax at successive levels of income, all consumer units, 1941 and 1950*

Family personal income level (before income taxes)	Tax rate (percent)		
	1950	1941	
		On incomes in 1941 dollars	On incomes in 1950 dollars
Under $1,000	(1)	(1)	
$1,000 to $1,999	1.9	0.7	0.1
$2,000 to $2,999	3.5	1.4	.7
$3,000 to $3,999	4.6	2.2	1.1
$4,000 to $4,999	5.2	3.2	1.6
$5,000 and over	11.6	14.6	8.8
All incomes combined	8.4	4.6	4.6

1 Less than 0.05.

Source: Review of Economics and Statistics, February 1954, p. 21.

It will be noted that the tax rate on similar incomes increases much more in 1950 vis-a-vis 1941 incomes when stated in terms of 1950 dollars than in 1941 dollars. Should we compare the rates in the last column, that is, on incomes in 1941 expressed in 1950 dollars, and the rates in the first column, that is, the tax rate in current dollars in 1950, we would then compare the effective rates on consumer units

[24] Goldsmith, Jaszi, Kaitz, Liebenberg, "Size Distribution of Income Since the Midthirties," Review of Economics and Statistics, February 1954, p. 22.