in identical brackets of real income in the years 1941 and 1950. It will be noted that, when one compares the last column of this table and the first column, the increase in rates is much greater than if the comparison is made with the 1941 incomes expressed in 1941 dollars. In fact, at $5,000 and over, there is an actual increase from 8.8 percent on 1941 incomes expressed in 1950 dollars to 11.6 percent for 1950 incomes in 1950 dollars. But on incomes in 1941 dollars there is a reduction for incomes of $5,000 and over from 14.6 to 11.6 percent. The explanation here is that with the continued need for revenues in the war period there was a tendency to make the tax rates less progressive. Much more revenue had to be obtained from the lower incomes in the groups above $5,000. Another factor was, of course, the split income provision which tended to cut down the rates. The splitting provision was introduced in 1950.

One can get an even greater indication of what happened as a result of both the rise of prices and the rise of real income by comparing the taxes by quintiles in 1941 and 1950. Here one will find even greater differences in tax rates in 1950 as compared to 1941, because here we take into account not only the rise of prices but also the rise of real incomes which result in shifting to higher income brackets.

TABLE 4–6.—*Percentage of family personal income taken by the Federal individual income tax, for quintiles of consumer units ranked by size of family personal income, 1941 and 1950*

Quintile	1941		1950	
	Income range	Tax rate (percent)	Income range	Tax rate (percent)
Lowest	Under $740		Under $1,840	1.4
2d	$740 to $1.370	0.3	$1,840 to $3,040	3.5
3d	$1,370 to $2,040	.8	$3,040 to $4,200	4.7
4th	$2,040 to $2,940	1.4	$4,200 to $5,960	5.8
Highest	$2,940 and over	8.5	$5,960 and over	12.9
All incomes combined		4.6		8.4

Source: Review of Economics and Statistics, February 1954, p. 23.

SOME CONCLUSIONS

In general, those levels of government which depend upon the direct income tax or the direct corporation tax have had the greatest success in increasing their revenues. This of course is the position of the Federal Government. State governments, relying heavily on sales and gross receipt taxes and the like, have increased their revenues substantially though their proportion in relation to the Federal Government has greatly declined. Local government, largely dependent upon general property taxes, experienced the largest relative losses of revenue and the most serious financial problems.

Income tax yield has grown especially because of both the rise of real incomes and also because of the inflationary process. Inflation accounted for about one-third of the rise of income since 1938 and more than one-half since 1952.

Through grants and aids of various kinds the Federal Government was able to pass along to other levels of government the flexibility of its tax revenue system. Unfortunately, these allocations have