

The justification for suspending the investment credit was that corporate expansion was too rapid. We of course put it back into effect much earlier than January 1968 because we were afraid that maybe the dose was too big.

I didn't completely concur in that judgment. But today it seems to me that we have the same situation as last year and are in danger of overexpansion in the corporate economy, whereas real individual income has not gone up correspondingly.

Would you comment?

Secretary FOWLER. I would like first to say that there has been a sharp change in that respect in the last year just in terms of corporate profits. Personal income has gone up steadily and indeed has been on the same steady course it has for some years, but corporate profits have leveled off, have fallen back, as reflected in our revenue estimates.

The concern that you voice that there is a great inducement in the present level or movement of corporate profits to a new investment boom does not seem to me to be a very real danger.

Mr. ULLMAN. Wasn't there a story in this morning's press with respect to much higher corporate profits?

Secretary FOWLER. No, I didn't see anything about their being much higher. It seemed to me the story was that the drop in corporate profits that had been characterizing the recent quarters had now bottomed out and there was a \$200 million increase on a \$79 billion base.

Mr. ULLMAN. But what are you talking about? You are talking about \$80 billion, which is a rather high corporate profit picture historically, is it not?

Secretary FOWLER. Oh, yes, yes. So is personal income. Everything is high.

Mr. ULLMAN. Because there was some decline in corporate profits I think the tendency in these hearings has been to look at the trend for the past 6 months and not to look at the real level that we are operating on.

The level of corporate profits is at an alltime high with the exception of the peak of September of last year, is that not right?

Secretary FOWLER. Yes.

Mr. ACKLEY. Yes, it is, but the flattening of corporate profits that began in the first quarter of last year has materially changed the relative income share since that period.

Let me give you just a couple of numbers that I happen to have before me. If we go back to the second quarter of 1965, and I pick that only because it was a period immediately before the beginning of the defense buildup in Vietnam, from the second quarter of 1965 to the second quarter of 1967 corporate profits before taxes are up less than 5 percent.

Over that same period—from the second quarter of 1965 to the second quarter of 1967—total compensation of employees, all employees, is up 19 percent, and total individual income is up nearly 17 percent.

Mr. ULLMAN. Is this real individual income?

Mr. ACKLEY. No, these are all in terms of money magnitudes rather than real. I don't know how one deflates corporate profits. If we apply the same deflator—the cost of living index, say—to all of them it would reduce them all correspondingly.