

It reacted contrary to the conventional expectations of the time. If we were in a recession or if we were threatened to be in a recession, we would not be here counseling with this committee to impose a tax increase. We did not recommend that it be imposed as of January 1 because we had some concern about what the economy would do in the early months of this year.

I can say to you with all conviction that we have kept a very constant watch on the movement of the economy since the President's message went up. Now we come to you not in April or May, but in the light of the current developments, with the full conviction that the danger of any downturn is now well behind us, and that the real problem of the economy and our financial system is the threat of compounding the inflationary thrust by a continuance of a highly stimulative fiscal policy that would put undue pressure on the money markets which would result in ever higher interest rates.

Mrs. GRIFFITHS. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Watts?

Mr. WATTS. Did I understand you a few minutes ago, Mr. Ackley, to say that the wages had gone up \$4.4 billion in June and that you anticipated that it would be \$4½ billion in July?

Mr. ACKLEY. That was not wages. That was total personal income. It included wage income and all other kinds of income.

Mr. WATTS. Did it include corporate income, too?

Mr. ACKLEY. Personal income includes corporate dividends. There was a small increase of two-tenths of a billion dollars in dividends in June and three-tenths of a billion dollars in dividends in July.

Mr. WATTS. I am amazed that there was that much steam going ahead. Of course, that does not cover all of it if it does not cover corporations, does it?

Secretary FOWLER. We did comment this morning, Congressman Watts, that the decline in corporate profits in the last quarter of last year and the first quarter of this year, apparently has bottomed out because of a report which came out of the Department of Commerce yesterday, reported in this morning's papers, that the second-quarter profits are going to be slightly, \$200 million in excess of first quarter profits.

Mr. WATTS. Then there is an upturn in not only the personal income but the corporate income.

Secretary FOWLER. At least you can say the downturn in corporate profits for this second quarter has flattened out.

Mr. WATTS. I did not anticipate this kind of increase. Did you at the time you made up the budget?

Secretary FOWLER. This kind of increase in personal income?

Mr. WATTS. Yes, to this extent.

Mr. ACKLEY. Yes, I think we have been counting on a substantial improvement in personal income. The figures for June and July are indeed rather large. But, I think, they are most relevant here as symptomatic of the fact that the economy has begun to advance more rapidly and that the upturn we have expected in January has indeed arrived.

Mr. WATTS. Do you expect this to continue throughout the rest of the year?

Mr. ACKLEY. We do indeed.