Mr. WATTS. At about the same rate?

Mr. ACKLEY. I tried to indicate in my statement yesterday some rough ideas of the magnitudes of expected advance. Measuring in terms of gross national product, as developed this morning with Mr. Byrnes, with the tax increase we expect an increase in gross national product of something over $25 billion between the second and the fourth quarters of this year.

Mr. WATTS. Between the second and fourth quarters. That would cover two quarters, would it not?

Mr. ACKLEY. Yes. And with the tax increase, from second quarter of this year to the second quarter of next year the increase in gross national product might be in the neighborhood of $55 billion.

Mr. WATTS. If personal income continues at the same rate that would be in the neighborhood of $48 to $50 billion a year, would it not?

Mr. ACKLEY. Yes, if you simply extrapolated the increase from May to July it would be in that kind of magnitude which is undoubtedly higher——

Mr. WATTS. Would that be within the bounds of reason?

Mr. ACKLEY. No, I think one would not extrapolate that same increase.

Mr. WATTS. What do you anticipate will be the increase on a yearly basis at the rate it is going now?

Mr. ACKLEY. If we take from January to July, the increase in personal income was something a little less than $17 billion. Certainly it would be a larger increase than that in the second half.

Mr. WATTS. You have $9 billion in 2 months according to your statement, have you not, sir?

Mr. ACKLEY. That is right.

Mr. WATTS. There will be taxes paid on all that additional income, will there not?

Mr. ACKLEY. Yes. This is certainly before taxes.

Mr. WATTS. In other words, if you had an increase of $40 billion in a year, the tax on that was 20 percent that would be about $8 billion.

Mr. ACKLEY. The average rate of taxation on personal income is less than 20 percent.

Mr. WATTS. About 18, is it not?

Secretary FOWLER. The figure is 15½ percent for personal income adjusted to a tax basis.

Mr. WATTS. Can personal income continue to go up without corporate income following it to a certain degree?

Mr. ACKLEY. We are certainly predicting that corporate profits will be rising over the next year.

Mr. WATTS. I am just wondering if you have taken into consideration this extra income you are going to derive from these additional wages that have gone up so fast and the corporate profits which are going to go up in determining your need.

Mr. ACKLEY. Yes, I think the answer is clearly yes, that the forecasts we have made of revenues are based on the expected path of the economy.

Mr. WATTS. Your forecast of revenue was based on the rate of increase in June of $4½ billion and July of $4½ billion and at that rate for several months?