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ALTERNATIVE CORPORATE TAXES

by

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What the rest of the speakers have to say might have some impact upon the kind of an excess profits tax that may emerge from Congress, but, in view of com itments, it would be surprising if anything that can be said now about alternative corporate taxes were in any way to affect the course of tax legislation in 1950-51.

To avoid misunderstanding, I wish to state at the outset my basic position on a few issues:

1. Taxes on profits realized during the emergency must be increased substantially, one way or another, if not by alternative corporate taxes, then by an excess profits tax.
2. Higher corporate taxes should be enacted without delay. A "wait and see" tax policy is extremely risky at this juncture. Economic instability is dangerous as regards national security and the preservation of our free enterprise system.

The proponents of a "wait and see" tax policy, whether whistling or not, are in the dark.

The plain facts are that inflation is cantering. A gallop is imminent unless arrested by stronger fiscal and monetary measures. This requires elimination of postponable expenditures, expenditures of low social priority and a step-up in the slow moving program of eradicating wasteful expenditures. It necessitates higher taxes, with top priority assigned to taxes on profits.

The spindly and speculative supports for a "wait and see" tax policy crumble under the weight of evidence that grinds to the unpleasant but inevitable conclusion that there is no escape from higher corporate taxes. The alternative is accelerated inflation.

The fact that the federal cash budget is currently in approximate balance is a favorable factor. But blueprints for defense expenditures are being speedily transformed into actual expenditures. As these delayed expenditures catch up, a large federal cash deficit is certain to emerge. There is nothing on the international horizon that warrants discounting the prospect of high federal cash deficits for several years.

But despite the relatively favorable federal budget situation throughout 1950, several inflationary factors have been at work: the cash deficits of state and local governments, credit expansion, activated liquid assets, rounds of wage increases, rounds of profiteering and so forth. To hold against a conjunction of some or all of those factors would obviously require a large federal surplus.

To stop inflation it takes more than a monthly peek at the cumulative federal cash budget to see if it is red or black.

Inflation has not been stopped. It strides unarrested, roughshod over the economy.

Taxes are high. Nobody can embark lightly on a program to make them higher. But the alternative to more taxes is more borrowing and more inflation. Unhappily, the choice of no more taxes and no more borrowing is not available. The defense expenditures cannot be denied without imperiling the nation. The emergency is almost certain to result in both more taxes and more borrowing and inflation.

The problem is to minimize inflation by effective taxation and management of the public debt.

Both taxes and debt must be kept down to the lowest level compatible with the attainment of our economic and other social objectives. But neither higher taxes nor higher public debt will permanently injure our economic genes. Moreover, in emergency it is proper to be less rather than more preoccupied with the perpetual economic problem of maintaining balance between current and future production and needs. Effective management of the economic problems of each period is perhaps the surest way of preserving the free enterprise system and the American trend of economic progress. This is no time to default upon our collective responsibilities to support the more obvious essential economic policies so that we may do homage to some dimly discerned economic requirements of the future.

The fear is that high taxation may slow capital formation in the emergency to the prejudice of future production.

One way or another, capital formation must be adequate to maintain the high levels of production required during the emergency. But the pattern of capital formation gets distorted. Some plants may be permitted to run down, either because they do not fit the emergency production requirements or else because they fit it so well that maintenance cannot keep pace with intensive utilization. Other plants are specialized, peculiarly suitable for emergency production but uneconomic for other production. Government money seeps into the financing of capital formation during emergency periods, through direct investment, guaranteed loans at sub-market rates of interest, special amortization, various styles of payment on contracts, and perhaps other ways.

The immediate issue is whether with lower taxes on profits the distortion of the pattern of capital formation and the extent of government participation in financing capital formation would actually be fundamentally different than with higher taxes on profits.

Because emergency production falls outside the boundaries of usual risks assumed under the free enterprise system as it operates under peacetime conditions, it is not clear that even if it were practicable to finance an emergency without high taxes on profits, the maintenance of low taxes on profits reaped from emergency production would result in turning over to the post-emergency economy capital equipment which either in volume or in pattern would be more adequate and suitable for peacetime requirements.

Against this uncertainty is to be matched a certainty.

If profits are under-taxed relative to the rewards for the other factors of production, money wages will be pushed up by successive rounds of increase. Since inflation has not been arrested by fiscal and monetary measures and token controls already instituted, these rounds have been put in motion. A belated strong fiscal and monetary policy, if too belated, would need to be so restrictive to curb inflation effectively as to place the free enterprise system in the same uncomfortable straight-jacket as an effective system of direct controls.

Friends of the free enterprise system, those who would like to stave off direct controls and give the general fiscal and monetary controls a chance to work within the framework of the free enterprise system must become militant opponents of a "wait and see" tax policy.

I do not anticipate that many, if any, of the speakers participating in this symposium are here to praise the excess profits tax. But unless acceptable alternative corporate taxes can be formulated, our public responsibility is to resurrect the excess profits tax, not to bury it.

It will not take long to explore the alternative corporate taxes. My subject is much narrower than alternative taxes; it is alternative CORPORATE taxes. Thus I am spared the task of appraising in a few minutes a wide array of potential revenue sources. I leave to the symposiums of the future the general sales tax, the spendings tax, the value added tax, compulsory loans, a tax on increases of personal income, and others.

I confine myself to the one specific problem: if for the duration of the emergency substantial additional taxes are to be levied on corporate profits, is there a better way of getting the revenue than by imposing an excess profits tax? For purposes of preliminary analysis I assume that the type of tax selected will have no bearing upon the amount of revenue that it is practicable to raise from corporate profits. I wish to make it clear, however, that in circumstances when it is imperative to go all out in the taxation of profits, the acceptability of the method of taxation should be a critically important consideration in the decision whether to enact an excess profits tax or some alternative.

The alternatives are: (1) to increase the corporate income tax rates by a uniform number of points or by a uniform percentage; (2) to increase the rates and change the scope of graduation; (3) to increase the rates and differentiate as between retained and distributed profits, in favor of (a) either retained profits or (b) distributed profits; and (4) either separately or in combination with any of the first three methods, to broaden the corporate income tax base, either by sweeping in more items of receipts or by sweeping out some of the deductions presently allowable.

I shall try to present the analysis in terms of the objectives of higher corporate taxes and some important considerations which must be brought into focus in deciding the best way to derive the additional revenue from corporate profits.

Since the excess profits tax base is much narrower than total corporate profits, it takes more points of excess profits tax rate to yield the same amount of revenue as an additional income tax.

In the four years 1942-45 combined, the excess profits tax base was about 45 percent of total corporate net income. This is before adjustment for relief which has shifted and will continue to shift large amounts of profits realized during World War II out of the excess profits and into the normal tax bin. The final figure will be lower than the preliminary 45 percent. Also, because of the difficulties encountered under the several varieties of World Wars I and II excess profits taxes and the rough approximations of excess profits attained under the best of them, the Congress is not likely to hew too close to the normal profits line in its 1950 effort to determine what are excess profits. The percentage of total profits that can be expected to be classified as excess is almost certain to be substantially lower than the average for the World War II period. Figures as low as 20 percent have been used to support the practicability of an excess profits tax that would avoid entanglement in that no man's land where the government and taxpayers become embattled with their disparate measures of excess.

The thinner the slice of excess profits the higher must be the rate to yield a given amount of revenue. A high rate that applies to surplus or windfall profits is less damaging to production incentives than a lower rate that impinges upon necessary rewards. It does not follow however, that if excess profits are defined conservatively an all out tax attack may be launched upon them with economic impunity.

There are definite practical limits to maximum excess profits tax rates.

Beyond these limits the inducement to wasteful use of scarce resources breaks through the restraining barriers that preoccupied tax administrators can shore up against the leakage in the tax base. Nobody knows precisely what the maximum feasible excess profits tax rate is because it depends on an assessment of imponderables; how preoccupied are the administrators and how lax is corporate management in the face of national danger. Excess profits tax experience amply demonstrates, however, that the maximum feasible rate is substantially this side of 100 percent, perhaps somewhere near the 80 percent boundary. By better policing of expenditures for such items as advertising and business traveling and entertainment expenses and perhaps other tainted with an odor of boondoggling, the feasible maximum excess profits tax rate can probably be pushed up a few points beyond 80 percent, but probably not beyond the World War II rate of 85.5 percent.

The income tax rate for the large corporations, those that are the major objective of an excess profits tax, is now 45 percent. If for illustration favorable assumptions are made; corporate profits of 40 billion dollars, that of this amount 45 percent will be excess, the same percent as in the four year period 1942-45, and if further it is assumed that the maximum feasible excess profits tax rate will be 85 percent, about the same as in World War II, then an excess profits tax would yield over seven billion dollars of net additional revenue because of the additional 40 points that would apply to the excess portion of corporate profits.

The excess profits tax cannot be ruled out on the count of low revenue potential. Between the income tax rate of 45 percent and a maximum excess profits tax rate of

85 percent, approximately the World War II rate, there is room for realization of a large amount of revenue from emergency generated corporate profits. 1/

To summarize: the higher marginal rates required under an excess profits tax as against an income tax is a point against it. The differentiation of emergency generated profits from other profits is a point in favor of it. Moreover, if World War II proportions of excess profits to total profits are used as a standard for differentiating the emergency created profits, it would appear that there is plenty of room to manoeuver with an excess profits tax rate to take a couple of bites out of these emergency generated profits, as circumstances require.

The difficulty with this scoring of an excess profits tax as regards the points considered so far, is that it assumes away the basic policy issue which must be settled in advance of analysis: can the World War II proportions of excess profits to total profits be attained in any style of a 1950 excess profits tax? If the base must be manipulated upwards to reach an acceptable basis for the differentiation between emergency generated and normal profits, to a point where the revenue potential is gutted, the case for an excess profits tax is weakened.

To be worthwhile, the revenue potential from an excess profits tax must be big, even if the revenue from the law as first enacted is not. The next bite at excess profits may not be the last. It will depend upon the unpredictable intensity, scope, and duration of the international emergency.

There must be some room to manoeuver the base or the rates of an excess profits tax to make its yield responsive to changing revenue requirements. As the corporate income tax rates move up in response to emergency requirements the differentiation will be weakening just when the case for differentiation is strengthening. To maintain the relative position of the excess profits tax in the revenue system in circumstances of such an unfolding emergency it would be necessary to broaden the base. This can be done only by entering the area of profits, where the basis for differentiation is so uncertain and arbitrary as to lack any foundation.

Admittedly, there is plausibility in a contrary view. It is reasonable to maintain, as I do not, that an excess profits tax should be enacted even if the slice of excess profits must be kept thin to meet acceptable standards for the differentiation of emergency profits. After all, every billion raised from this source relieves some other hard pressed source of income.

Whatever is good judgement as regards these and other excess profits tax issues, let the relevant considerations be weighed without invoking mysterious insights. In their dubious capacity of political alchemists, some support an excess profits tax not on the meritorious consideration that it differentiates in a manner that alternative corporate taxes cannot, but, admitting unsatisfactory differentiation and all its manifold faults, they still allege that an excess profits tax creates a salutary tax illusion: that emergency profits are under an all out tax attack and that other revenue sources heavily taxed are thus being relieved from an otherwise overwhelming assault.

1/ If less than the full revenue potentialities of an excess profits tax is to be exploited in the immediate future, then the concession should be in the direction of narrowing the base instead of reducing the rate, because the justification of an excess profits tax rests primarily on the distinction between emergency generated and other profits. Manipulation of the base can change the degree of certainty with respect to this differentiation; manipulations of the rate cannot.

Thus strategy takes over where logic ends. But is it illusion and is it salutary? I doubt it.

It is our business to wipe out, not create, illusions that serve to befog the public understanding of economic issues. With widespread dissemination of economic information it is not easy to create a good illusion. The public is alerted, wary and sufficiently aware of current tax issues to insist that one way or another profits be limited during the emergency period. If the intent is not to wield the excess profits tax axe to attain this objective it would be better not to sharpen this instrument in the hope of capturing the imaginary benefits of a tax illusion.

If the emergency becomes more acute, and even if it does not, once the actual defense expenditures supplant the projected expenditures, it will be necessary to pull many levers at once to contain inflation. Much higher taxes than are in current discussion will be necessary, particularly if an all out effort is to be made to hold the line by fiscal and monetary measures, without price and wage controls. But even if price and wage controls are teamed up with fiscal and monetary measures their success will depend, in substantial part, upon higher taxes to reduce the inflationary pressures originating in public borrowing and higher income flows.

The question is whether an excess profits tax is superior to alternative corporate taxes to help offset inflationary pressures.

It is customary to assume that wage controls would be impossible without an excess profits tax. But if, as seems likely, business is more eager for some alternative corporate tax and is willing to assume whatever additional tax burden that may be determined by Congress as its appropriate contribution to financing the emergency, then it is questionable whether they should be denied their preference because it is assumed that labor's wage policies would be affected materially by the type of corporate tax rather than the amount of tax levied on net profits.

The profits both before and after tax are material. Even if profits after tax are stabilized an enormous growth in profits before tax would reflect the government's failure in its struggle against inflation. Inflation is labor's worst tax, and in the very real uncomfortable position of labor during inflationary periods it naturally and rightly inveighs against corporate profits and would do so, even if corporate profits after tax were decreasing.

It is less the size of corporate profits before or after tax than the broad inflationary movement and the government's failure to cope with it successfully that induces the successive rounds of wage increases and that feeds the inflation.

Similarly, if the government failed to arrest inflation, wage controls would be no more or less feasible with an excess profits tax instead of an equivalent revenue producing alternative corporate tax. It may be sound policy to flail inflation with talk about high profits. But it is not easy to see how beating the profits drum with an excess profits tax would help more in the fight against inflation than beating it with some alternative corporate net income tax of equivalent weight.

The emergency is of uncertain duration.

An excess profits tax does not age well. At best it is structurally feeble when launched, and as the economy develops, it grows progressively worse with the mere passage of time. For this reason too, I conclude that in the present circumstances it would not be desirable to impose an excess profits tax.

High taxes on corporate profits levied during the emergency should be of the type that can readily be transformed into an acceptable component of a peacetime tax system. The excess profits tax is not such an acceptable component. It is a tempo.

But more than that: Even as an emergency tax, an excess profits tax fails to meet both equity and economic tests.

As regards equity: If the primary justification of this form of corporate tax is the differentiation between emergency and normal profits, the differentiation should not be confined to the profits of large corporations; it should extend at least to small corporations and unincorporated businesses and professions. In amount, unincorporated profits of business, professional, farm and rental incomes combined substantially exceeds corporate profits; and while the rate of increase in the aggregate of such incomes has not matched that of corporate profits, a distribution of the total by classes of percent increase would show substantial areas of unincorporated profits which match the phenomenal recent advance of corporate profits.

Similarly, while profits of small corporations with less than $25,000 income are only a small percentage of the total corporate profits, a detailed breakdown of these corporations by industry and size of firm would show substantial numbers and substantial amounts of profit of emergency origin that should qualify for the special excess profits tax.

There are, of course, good reasons for excluding small corporations and unincorporated business from an excess profits tax.

As regards small corporations, so long as unincorporated business is excluded, their inclusion would stimulate disincorporation and distort free choice with respect to the form of doing business.

The inclusion of the large numbers of unincorporated business is not practical because of the difficulties of distinguishing the business from the owners of the business and because of the administrative and compliance problems.

The accounting systems and financial management of small business entities, whether incorporated or not, are no match for the wizardry required by an excess profits tax.

But even if it were practical to sweep all small business entities into the net of an excess profits tax, it would not be desirable to do so for reasons that transcend equity considerations. The large corporations can take the punishment of a crude tax much better than small business. In the interest of preserving the free enterprise system and keeping it competitive to the fullest practical extent in emergency, and particularly beyond the emergency, the scope of any excess profits tax should be kept narrow even though this violates accepted standards of tax justice.

So far, comparison has been made between business units. Now consider the equity issues as regards the owners of the business units.

It has always seemed to me unfair to beleaguer the excess profits tax with the charge that it departs farthest from the objectives of an integrated corporate and individual income tax, that the combined taxes are thrown further out of rational alignment considering the relative tax paying capacities of the stockholders. By definition, an excess profits tax that effectively differentiates between emergency and other corporate profits will not accomplish the same alignment of combined corporate profits - individual income taxes as an integrated income tax system which treated every dollar of income falling into the same income bracket alike, regardless of origin. In the first case the emergency dollars are reduced to standard dollars before being fed into the progressive tax mill; in the second, they are fed into the progressive tax mill without prior adjustment and although the emergency dollars are clipped under either procedure, they are not clipped to the same extent, and the distribution of the aggregate clipping among stockholders is radically different.

This type of conflict, between the principle of progression and differentiation is familiar under the income tax. It is encountered, for example, when tax concessions are made to recipients of earned income, capital gains, gifts and bequests and imputed incomes of various kinds. In all these cases, difficulties arise primarily from the fuzziness of concept, whereas in the case of the excess profits tax the difficulty is partly this, but mostly that of measurement.

A valid objection to an excess profits tax is not that it is incompatible with integration. It should be. It is rather that this incompatibility cannot be justified when the excess profits tax stretches to embrace profits that are clearly not of emergency origin.

The equity issue at the level of the ownership group, the stockholders, is more significant when raised against the chief alternative to an excess profits tax, namely, a flat point or percentage increase in the corporate income tax rate.

Ever since the corporate income tax rates were moved up in World War II, but particularly in the past quinquenium, there has been much pointed public discussion of income tax integration. The Tax Institute and the National Tax Association stand out among the organizations that have contributed to the clarification of the issues which must be resolved in a solution of this complex problem. A distinguished committee of the National Tax Association, under the chairmanship of Professor Groves, made its timely final report on integration in September of this year. The Committee stops at Korea. Its terms of reference did not require it to express itself on the issues before this symposium.

As regards the structure of the corporate income tax and the integration problem, I have little, if anything, to add to my article in the National Tax Journal of June, 1949, prepared early that year.

The situation then was not the same as now, but several factors were similar. Inflation, if not roaring, was audibly purring along, then as now. At a time when the Federal cash budget was running a surplus, much larger than the most optomistic ever anticipated for 1950, a four billion dollar excess profits tax was under consideration for the purpose of closing an anticipated deficit, much smaller than the one which looms ahead.

I believed in 1948 that the economy would be served best, not by an excess profits tax, but by higher taxes on corporate profits under a corporate income tax reconstructed in the direction of integration. Again, I am not in favor of an excess profits tax, or any other special emergency tax, unless there is a clear preponderance of evidence that the emergency would be so much better served by it that it is worthwhile to postpone the attainment of repeatedly posponed tax reforms.

Early in 1949, I came out, fundamentally, for the same integration plan which the Committee of the National Tax Association now recommends for peacetime. The Committee seems to have doubts about the suitability of its basic plan for an economy hard pressed by inflation, whereas I would proceed with its immediate implementation.

The essential elements of the plan suggested by the Committee of the National Tax Association is to differentiate the corporate tax rate in favor of distributed profits, with protection accorded small corporations by mitigating or even eliminating the rate differential for the retained profits f small corporations. 1/ A combination of rates of 40 percent on distributed profits and 60 percent on retained profits, with cushions for small business in the spirit of the National Tax Association Committee's plan, would easily yield the four billion dollars of revenue from corporate profits currently sought from an excess profits tax, and more equitably.

Now I shall try to answer some pointed questions. Why attempt to eradicate longstanding inequities in the middle of an emergency by adopting measures that would aggravate inflation? Have not the British, sensitive to the requirements of an integrated corporation and individual income tax, nevertheless adopted the National Tax Association plan in reverse, imposing in 1947 a higher supplementary tax on distributed profits than on undistributed profits to offset precisely the kind of stimulus to corporate profit distributions that their basic integrated income tax system engenders and that the National Tax Association plan would engender?

The inflationary impact of an increase in dividends is usually grossly exaggerated. Per contra, the inequities from an unintegrated income tax and from every aggravation of the integration problem are underestimated.

The inflationary impact of higher profit distribution is overestimated because it is not appreciated that such a large part of the dividends flow up the income hill. They are clipped by steeply progressive rates and the remaining balance is less likely to enter the consumption markets the higher the income of the recipients. Whether dividends enter the investment markets will make little difference, if any, as regards inflation since one way or another investment will be financed to the limit of the availability of resources to meet the production requirements of the emergency.

1/ The precise specifications of the plan, including the precise role of graduation as a further element of relief for small corporations, are not important for present purposes.

As regards the lower income recipients of dividends, a larger proportion is left after the tax and a larger proportion of the balance will be spent in the consumption markets than is the case with the higher income recipients. Such expenditure will be inflationary, but even here the contribution of an augmented dividend flow to inflation will be mitigated by a reduction of the pressures for wage increases and by a greater response to patriotic drives to increase saving.

While the bulk of the dividends flow to the higher income recipients, the dividend recipients with incomes under $5,000 far outnumber those with higher incomes. For the calendar year 1947, individuals with incomes under $5,000 received only one-fifth of dividends reported but constituted two-thirds of the number reporting dividends. 1/

On balance I conclude that the contribution of dividend distributions to inflationary pressures under conditions of full employment of resources and steep progressive individual income tax rates is not great, but that the inequities from an unintegrated high corporate tax on profits are serious and unwarranted.

I have been silent on two previously mentioned alternatives - an all out graduated corporation tax and a broadened corporate income tax base.

An all out graduated corporation income tax would depart further from integration without even the pretense of differentiation which is the foundation of any excess profits tax. I pick the excess profits tax over a graduated corporation income tax which extends in scope beyond the point required to foster the growth of small business. Graduation of income tax is no substitute for an excess profits tax whether graduation be applicable to corporations or to individuals. Additional graduated rates proved to be a sufficient reason to omit individuals from the scope of the World War II excess profits tax, but it was sufficient on the basis of broad policy, not because anybody who understood the issues thought that graduation of rates is a substitute for differentiation.

I feel justified in omitting from discussion the remaining alternative, broadening the existing corporate income tax base, both by the pressures of time and because I view this as a marginal potentiality, unaffected by the method of taxing corporate profits. Indeed, the pressures to narrow the corporate profits tax base are stronger than the pressures to expand it.

1/ There were about 3 1/2 million taxpayers who reported dividends. Nearly 2 1/4 million of these were reported on taxable returns with adjusted gross income of less than $5,000, and nontaxable returns. But, these lower income returns accounted for less than .9 billion out of the total amount of 4.3 billion dividends reported. For 1948 these lower income returns accounted for .8 billion out of 5.0 billion dividends reported.

Both the amount of dividends reported and the number of dividend recipients exclude dividends not exceeding $100 per return reported as other income on Form 1040A and all dividends received through partnerships and fiduciaries.

In conclusion, I sincerely hope that the Congress will formulate the 1950-51 legislation along the lines of the National Tax Association Committee's recent plan, but with specifications to meet the enormous revenue requirements of the emergency. We need, not a temporary excess profits tax, but a permanent integrated corporate income tax structure that is built to yield, in a more equitable way than either an excess profits tax or a percent increase in the present corporate income tax the large amounts of revenue that can properly be expected from corporate profits.

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Corporation returns, 1942-45
(Money figures in millions of dollars)

	1942	1943	1944	1945
Total number of returns	479,677	455,894	466,796	454,460
Returns with no net income:				
Number	172,723	136,786	123,563	118,106
Gross income	11,475	8,896	9,228	16,397
Deficit	1,001	899	819	1,026
Dividends paid:				
Cash and assets other than stock	117	97	89	163
Stock	3	5	5	5
Returns with net income:				
Number	269,942	283,735	288,904	303,019
Gross income	205,870	240,479	252,712	238,838
Net income	24,052	28,718	27,124	22,165
Income tax	4,338	4,479	4,354	4,183
Excess profits tax	7,919	11,446	10,530	6,612
Total Tax	12,256	15,926	14,884	10,796
Dividends paid:				
Cash and assets other than stock	5,490	5,631	5,969	5,918
Stock	70	220	242	329
Taxable excess profits returns:				
Number	54,002	68,202	55,912	52,097
Excess profits net income	17,084	22,307	20,472	14,165
Adjusted excess profits net income	10,495	14,553	12,936	8,368

Source: Statistics of Income, 1945, part 2.

CORPORATE PROFITS, SELECTED YEARS

(Billions of dollars)

Period	Corporate profits before taxes	Corporate tax liability	Corporate profits after taxes			Inventory valuation adjustment
			Total	Dividend payments	Undistributed profits	
1939.	6.5	1.5	5.0	3.8	1.2	-0.7
1944.	24.3	13.5	10.8	4.7	6.1	-0.3
1946.	23.5	9.6	13.9	5.8	8.1	-5.2
1947.	30.5	11.9	18.5	6.6	12.0	-5.8
1948.	33.9	13.0	20.9	7.5	13.4	-2.0
1949.	27.6	10.6	17.0	7.8	9.2	+2.2
	Annual rates, seasonally adjusted					
1949: First quarter	28.3	10.9	17.4	7.9	9.5	+ .5
Second quarter	26.4	10.0	16.4	7.7	8.7	+3.9
Third quarter	28.2	10.8	17.3	7.4	10.0	+3.7
Fourth quarter	27.6	10.6	16.9	8.2	8.7	+ .8
1950: First quarter	29.2	12.0	17.2	8.1	9.1	- .7
Second quarter	37.4	15.2	22.2	8.1	14.1	-2.3
Third quarter[1]	42.0	17.6	24.4	9.1	15.3	-7.0

[1] Estimates by Council of Economic Advisors; based on incomplete data.

Source: Economic Indicators, November, 1950