conditions is by surveys of intentions to buy on the part of consumers and of businessmen.

You, of course, have the plans of the Federal Government over the next fiscal year. They have, however, in the past proved inaccurate in part, as, for example, the estimate of revenues was inaccurate to the tune of $7 billion.

Mr. BATTIN. I would like to interrupt you there. Again this is a problem of projection. The budget was based upon estimated revenues. Because of circumstances that year those revenues were not realized, netting a deficit in the budget beyond what had been anticipated, but now the point is that Mr. Ackley made what I thought was rather a startling assumption and I would like to have your opinion.

He said, assuming that there would be no major labor strikes or problems in the economy in calendar year 1967, then certain things would happen. With all the contracts that are up I find it rather difficult to believe that there will not be any major labor problems in the economy.

Would you care to comment?

Dr. MADDEN. I would agree with you thoroughly on this point and it is one of the very important reasons for caution on this committee's part in making this highly delicate and extremely important decision. The reports from the automobile industry suggest that progress toward a settlement there has not been as fast as might be hoped.

I believe, if my memory serves me, that about 7 million workers this year are subject to wage settlement considerations. The pattern for these wage settlements set as early as the airline mechanics strike in 1966 is unquestionably going to be above the rate of productivity advance in industry, praticularly as a result of the readjustment in the first half of this year, so you have a source of cost-push inflation, potential inflation, here that would not necessarily be reached by the tax decision of this committee at all, but that would affect the consumer's attitude toward purchases.

I would like to mention in this connection an article that appears in U.S. News & World Report for August 28, 1967, on page 31 called, "The Case of the Vanishing Pay Raise."

One example that this magazine gives is a family of four getting $7,500 a year with a pay raise of $375. It lists the proposed increase in Federal income tax at $147, proposed increase in social security tax at $40, the increase in State and local taxes at $31 average, for a total tax increase of $218 this year, leaving out of the pay raise $157, and then, based on U.S. News & World Report's estimate of price rises that might result from labor settlements in excess of productivity, $181, so that the family's net loss with this pay raise of $375 is $24 for the year.

We have had this discussion about priorities. Each of us, of course, is a consumer, but most of us, many of us, are taxpayers, and taxpayers according to reports are becoming more and more dissatisfied generally with the judgment of priorities that lead to the taxes we have to pay, so I think this is a consideration that stems from this automobile and other wage settlement considerations, the problem of what is going to be the impact of these wage settlements on prices and in turn what is going to be the impact of these wage settlements on consumer intentions to buy and therefore on the economy.