Mr. BACKMAN. So what do you do, double the increase?

Chairman PROXMIRE. The increase grows many times.

Mr. BACKMAN. Do you double the increase? Do you want to take it five times? We are talking about extremely small numbers, even if you take multiples which in my judgment aren't realistic.

Chairman PROXMIRE. And also I would say that the actual increase the steelworkers get and the auto workers get has an influence, maybe not immediately.

Mr. BACKMAN. I agree with that.

Chairman PROXMIRE. It has a significant influence in either the wages that are set or the compensation that is paid in other industries.

Mr. BACKMAN. I agree with that.

Chairman PROXMIRE. So I think from that standpoint there is an element of instability in excessive settlements that can be favorably influenced by Government policy to indicate what guideline will be fair and equitable throughout the economy.

Mr. BACKMAN. I agree that they have an effect, and therefore what are we going to say when other unions find that last year the autoworkers received an aggregate increase of at least 20 cents an hour, which happened to be roughly 7 percent of their wage rate, as I said earlier, or between 5 and 6 percent of their total labor cost. That is the actual increase in wages, wage rates in the automobile industry last year.

Chairman PROXMIRE. Let me say this: That when Reuther came before us, he had some interesting counterargument on that. It is very difficult when we have a highly productive industry like automobiles, where you have a basis for paying high wages, and yet achieving better profits, especially if it is expanding as it was last year.

Mr. Reuther said that he tried hard to negotiate in a situation, in which the productivity increase would be shared directly by a price reduction and a profit sharing with the workers, and a distribution to capital on a one-third, one-third, one-third basis. He wasn't successful in getting that adopted.

Mr. BACKMAN. But he didn't offer to forego the 2.8 percent productivity increase for that cut in prices.

Chairman PROXMIRE. You select the toughest kind of a case when you take the automobile industry, because it is hard to roll back prices. It is hard to get prices reduced. I hope that the action by American Motors is precedent setting.

Are you through, Senator Percy?

Senator PERCY. Have you one more minute?

Chairman PROXMIRE. Oh, sure.

Senator PERCY. This is a subject of great interest to me, Mr. Chairman. I have been concerned, Doctor, about the proposed tax increase as a depressant, on a potentially soft economy. But I was quite interested in a comment made by Ralph Lazarus, a member of the Business Council. He is the chairman of their domestic economy section, and as one of our largest retailers in the country knows a great deal about consumer buying habits.

He maintains that the tax increase will take dollars out of people's pockets, and therefore cause them to cut back their purchases, which would almost appear to be a axiomatic and automatic. He maintains