Mr. FROMM. I would like to speak to the tax increase. It is hard to put this in nontechnical terms, but let me try. It would seem that a straight 10-percent tax increase or a straight percentage increase, whatever the amount, would affect the lower income groups that pay taxes more than they would the higher income groups. That is, of course, because the lower income bracket taxpayer is spending a greater proportion of his budget on consumption rather than investment and, therefore, he is going to perhaps have to curtail his consumption.

On the other hand, in the higher income brackets, consumption probably would not be curtailed at all, and investment would take the brunt of the tax increase.

Representative GRIFFITHS. Mr. Martin and I do not have the same opinion as to why people are saving their money. He thinks terrible things are going to happen and everybody is worried and saving their money. I think it is the first time they have ever had any money to save.

Mr. Perry, did you have something?

Mr. PERRY. If I could just respond briefly, it seems to me that the question of who is going to be hurt is one that you can ask, although it would take a good deal of analysis to try to estimate the precise incidence of this measure or that measure. But I am not sure that the alternatives are quite as you implied them.

If we wanted to enforce a guidepost rule or any arbitrary ruling on particular industries, obviously the wage changes or price increases in that industry would be the main ones to feel it. But this still leaves the problem that guideposts are not a cure for general inflation because they can't be applied very generally.

As to who a tax increase would hurt, I don't think we can escape the fact that if you slow down aggregate demand you get some benefit from slowing down prices and some loss in employment. So, I don't think you can escape the fact that you will get less employment this way. The relative surtax burden itself does not seem unjust.

Representative GRIFFITHS. Yes; but part of the problem is that you are asking different people to restrain themselves on different items and on some of them you are reaching right into their living room and asking them to do without those things, whereas on wage-price guidelines you are going to affect a different group of people because you are going to be hitting at the powerful.

Mr. PERRY. I am not clear about the first part of your comment. Who is it that you are asking to——

Representative GRIFFITHS. You have a 10-percent surcharge that applies in a formula and you have people who have not received wage increases or price increases; those people are going to take 10 percent out of their present standard of living. If they have already insulated themselves by substantial wage and price increases, they are still going to have a better standard of living than they did have, so that you are not asking really, although it appears to be true, you are not asking, in my judgment, a uniform bearing of the burden.

Mr. PERRY. I don't know that we could ever be sure of a complete formula that would please everyone.

Representative GRIFFITHS. But wage and price guidelines are going to hit the powerful.

Mr. PERRY. If you would like to institute a policy which said, "We will contain wages in proportion to how powerful you already are or in