presupposes people paying taxes. In the population I am talking about, the low-income consumer generally does not pay taxes except in the form of withholding taxes. In that form, I suppose many of them do.

Mr. REUSS. If taxes are increased, he would have more withheld.

Mr. CAPLOVITZ. True; he would have more withheld, but I am not sure that the consumer behavior of the poor is related to that discretionary income. I suspect that the merchants would make the terms even easier, so that these——

Mr. REUSS. And the mulcting would get worse.

Mr. CAPLOVITZ. It might very well get worse. I am not sure that tax policy as a way of controlling consumer behavior applies—and I would have to think this through—to this very marginal population that I am trying to describe, who, even with a very liberal tax policy, still are spending more than they, perhaps, should, or are still buying things that they should not be buying. They simply do not have the discretionary income that the great bulk of our population does.

Mr. REUSS. Well, following the logic then, what you are saying—is that a general, across-the-board Federal income tax increase—which would, of course, increase the withholding right down to the bottom of the income tax paying population—would probably not be successful in chilling consumer purchasing very extensively, but would simply worsen the plight of the already beleagured marginal consumer.

Mr. CAPLOVITZ. Here is some superficial evidence on this issue. Many of the people I am now describing are people who are on welfare, and according to the terms of their receiving welfare they should not be making credit purchases, but they do and they pay for those credit purchases out of their food allotments. We must keep in mind how this system operates. I do not think that economic policy in the form of manipulating taxes is going to provide much of an answer to these issues.

Certainly, people on welfare do not pay an income tax, and yet they are also involved in these patterns that I am describing.

Mr. REUSS. Let us leave welfare recipients aside for the moment. Isn't what you are saying, then, that if it should become necessary as an economic matter to chill off the production and consumption of television sets and refrigerators, for example, to do so by stipulating a minimum downpayment on consumer credit would be (1) a more effective way, if that is what you want to do, than fool around with taxes; and (2) a more just way? It, at least, lets the poorer person keep the money, although sterilized in his pocket, rather than take it forever by means of a tax. Would you agree with that?

Mr. CAPLOVITZ. I would have to think that through. What you are suggesting is tighter controls on the extension of credit, and I certainly feel there is need for some reform in the credit system, and it may very well mean tighter controls. But I would have to think through what the unanticipated consequences of that might be. I just do not know at the moment, but I certainly feel that that might be a more equitable arrangement than a tax increase simply to correct the abuses that I am talking about. There are many other bases for having a tax increase. I am not sure they bear upon these matters.

Mr. REUSS. Well, yes. I did import something new into the discussion. But because of your great studies of consumer sales, particularly in New York, I welcome your observations.