

chological situation with sufficient depth and time to slow down wage determination, it is going to take a long, long time. That is not the way to do it. The way to do it is to have a wage-price guideline policy with bite in it, a specific figure, the kind of thing that is unanimously recommended by four experts who appeared before us, including Mr. Sheahan, who has written a fine monograph on it for Brookings.

This is the way to bite at the wage-price situation rather than go way around Robin Hood's barn and hit it through a tax increase that can do so many other things.

Mr. HART. However, if our firm is confronted with a situation where a full volume of output can be sold at higher prices—so that we cannot stand interruption of output because we are going to lose sales we could otherwise have—and where profits are going to be satisfactory, this is the sort of situation where it is very hard to look to the guidelines. At best, there have always been some settlements that came outside them. I would certainly say “Yes,” it is a good idea to do something fresh and more effective and better aimed in the way of guidepost work. And, yet, I would say that this is complementary with a policy which aims to make it more doubtful that employers can expand sales and raise their prices, too, and which makes it pretty certain that the tax bite on profits will be larger. With such a tax situation, it involves less inequity to ask the wage earners to accept sacrifices than what wage earners concede goes right into the pockets of the stockholders. The notion that the stockholders are having to make sacrifices through the rise in corporate tax is something of a sweetener to the notion that the unions should be more moderate, in the wage figures they will accept.

Chairman PROXMIER. My time is up.

Just one parting thought. It is my feeling that when members of militant labor unions have their pay envelopes reduced by an increase in the withholding tax, they are not in the mood to have their leadership ask for a weaker increase in wages. There is a real tendency for them to ask for more to make up for what they have lost by the increase in withholding when their take-home pay is reduced.

Mr. Brock?

Representative BROCK. Just one quick comment on your point, and then I would like to go back to balance of payments.

I think the thing that concerns most of us, and the Senator is voicing a pretty substantial sentiment up here when he talks about it, is the difference between a tax increase and the guidepost. At the very time when we broke out of this very stable structure we had going for several years was the time we abandoned the guideposts. And now we see a situation where, after abandoning the guideposts, the settlement pattern is about double what the guidepost was. And I think there has to be some relationship between the two.

Now, Mr. O'Leary, I would like to go back to your argument for the tax increase as it relates to the balance of payments. I have heard this argument made so many times, about \$14 billion investment in this country—if foreign investors lose confidence in us, they are going to pull that money out.

Now, let us be honest about it.

That money is over here because it makes a profit for them. There is a yield out of this economy, a profitability that they cannot obtain