number of workers whose education, training, experience, and therefore productivity did not command a level of wages now established by a minimum wage are "priced out of the market." Certainly for a period until perhaps capital investment adjustments may be made to increase their productivity but in the meantime a necessary concomitant of legislation which establishes minimum wages is a program of legislation to provide education and training for those who otherwise would be unable to obtain employment. And in the interim while the requisite education and training is being achieved, direct forms of Government aid and relief are required to avoid undesirable and unacceptable hardship.

Two circumstances taken together establish some strong imperatives. On the one hand, to impose and successively raise the level of minimum wages requires that worker productivity be improved but an important reinforcing factor has been developing and that is that in a world with increased mobility, increased communication, inequality of social and economic position is less tolerable. In a world in which increased communication and mobility portrays such inequality, strong stimuli to aspiration levels are engendered or produced.

So two things have taken place at once. At the one level increased aspirations of disadvantaged groups is a result of these changes in our society that I have described. On the other hand, Congress, by its own previous actions has created a situation in which the productivity of the disadvantaged people must be improved if sociological pressures of seriously disturbing consequences are to be avoided.

The implications are clear. The policy requirements are again inexorable. In an economy operating near full employment because of increases in Government outlays related to the fight against external aggressions, there is little flexibility for increased Government spending on the war against domestic disadvantaged groups without appropriate increases in taxes. And, of course, explicit in this is that we will see the reflection of this in a strong second half for 1967 and inevitably with an economy operating at relatively full employment, additional income injected into the economic stream by the war on poverty must be taken out of the system through taxation. Obviously a tax structure with progressivity results in some redistribution of after-tax income.

In a world environment and with requirements of our own economy as pressing as they are, no one can seriously claim that such income redistribution in the present atmosphere and environment will have adverse incentive effects in the short run. And I argue that they would not have adverse incentive effects in the long run given the power of increased output through the powerful productivity of our economy.

The tax policy implications, therefore, are clear. As discussed above, we may acknowledge that the economy is poised at a somewhat delicate balance in current weeks and again it understands the need for increased flexibility in taxing power at the level of overall taxes as described in the first part of this statement.

Government Price Controls

Another major policy principle, it seems to me, should be recognized by the Congress. One of the strengths of our free enterprise system is

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