in human beings, then this would tend to raise productivity and I would expect we could grow faster.

Chairman PROXMIRE. You have a big assumption in there. You said for full employment. You are not assuming I take it or are you assuming that 4 percent is full employment? Don't you feel we can get down to 3½ or 3 percent without inflation?

Mr. SPRINKEL. I wish we could get down to zero.

Chairman PROXMIRE. Of course you do. That isn't my question. Do you think we can get down to it?

Mr. SPRINKEL. No, I don't.

Chairman PROXMIRE. Do you think we can get down to 3 or 3½ percent?

Mr. SPRINKEL. Not without sizable inflation in the present situation. I think there are several things we can do both legislatively and otherwise to make it possible to ultimately get down there but you are asking as of the moment do I think we can get there. No, I do not.

We can create an incentive system rather than a disincentive system to hire some of these people that can't find work. If we look at who is unemployed, it is not just a cross section of the American citizens who are unemployed. It is highly localized in particular groups. It tends to be in the minority races that are poorly trained. It tends to be in some of the white that have dropped out of high school. It tends to be in some of the older people. Now, why do we find they can't find jobs?

I realize it is politically unacceptable to even think about dropping the minimum wage law, and I wouldn't even suggest it. I think Congress could give some thought to creating loopholes in those areas where unemployment exists. High minimum wages create a disincentive for business to hire them, and if we instead of doing that would create a tax incentive for them to hire them, plus making it beneficial for them to train them, then I think ultimately we can get down to 3 or 3½ percent.

Chairman PROXMIRE. Yes, but my point is that your whole testimony this morning and that, I think, of all three of you gentlemen has been that the economy is in trouble in many respects.

Mr. SPRINKEL. Yes, sir.

Chairman PROXMIRE. I call your attention to the Federal Reserve index of industrial production, probably the best single indicator we have.

Mr. SPRINKEL. Right.

Chairman PROXMIRE. Quoting from the lead item in the Wall Street Journal this morning, "fell to a seasonally adjusted 157.9 percent of the 1957–59 average. This was the greatest decline since the 2.1 decrease in October 1964 when there were strikes" which accounted for it.

Mr. SPRINKEL. Yes, sir.

Chairman PROXMIRE. There, of course, is some weather involved but very little really.

Mr. SPRINKEL. That is not the end. That is the beginning.

Chairman PROXMIRE. And under these circumstances, I am somewhat surprised that you wouldn't feel that we need greater demand, or are you saying that what you are concerned about is you won't get the