

Another question is how one gets the savings and loans to reduce deposit rates when the time comes, so that rates on mortgages will also go down and the period can be shortened. One can to some extent rely on the market. Lenders will not be able to write high-interest-rate mortgages. But it is conceivable that some kind of legal tie would have to be established between mortgage rates and deposit rates. No doubt there will turn out to be a lot of special cases, grace periods on deposits, and so forth, that will require definition to make it equitable and make it firm.

Representative MOORHEAD. Professor Lekachman, I was very much interested in your suggestions in your testimony about the negative income tax and the Federal Government as the employer of last resort. I wasn't quite clear as to the interrelationship of the two ideas. I can think of it as an either/or proposition. I can think of a combination where you would say anybody who is employable should be employed and put to work, and only those people such as let's say mothers with small children should be granted the negative income tax. But what is the interrelationship? Who would come under one program and who would come under the other?

Mr. LEKACHMAN. I was thinking of two groups, Representative Moorhead, with some coincidence between them I can see. But the two groups I had in mind were individuals whose practical chances or even desirability of offering employment to was not very great.

Many of the elderly, who are getting social security payments, which leaves them in precarious condition if they accept employment; many families of small children headed by women; individuals who are handicapped mentally or physically, not to the point of institutionalization. There are other categories. These individuals it seems to me now get various forms of either social security or welfare payments. In many cases the amounts are inadequate, and these people would be natural candidates, it appears to me, for some form of income maintenance.

Now there is another group of individuals who are currently unemployable, that is to say by labor market definitions in effect, market definitions. They can't get jobs. And what I among many others, have been speculating about is the fact that there is coinciding with this pool of personally unemployable a large number of public service jobs requiring rather little skill and training, which might readily be filled, the missing nexus being cash and in fact a program which would supplement public service employment in a great many areas.

So I don't think of these programs as substitutes for each other. I think they are supplements. In one case, one is addressed to the relief simultaneously of poverty and unemployment; in the other case, to the relief of poverty alone.

Representative MOORHEAD. In connection with your testimony, Professor Lekachman, I certainly want to reecho your sentiments about the Model Cities Program. I certainly agree with you it would be nothing less than a disaster to snatch from the cities the funds and the hopes so recently held out to them.

I think that we have stimulated the mayors into activity, and if we deny them this assistance which we almost promised them, why I think it would be very discouraging to the morale of the city officials and, more importantly, the city dwellers.