

more, the demand would be increased but we could not be producing any more.

Mr. PECHMAN. I assume you would be levying taxes to pay for it. You and I would be paying higher taxes. The poor would get higher incomes and would be spending what we might otherwise have spent.

Senator PROXMIRE. So other Americans consume less so that the poor can consume more.

Mr. PECHMAN. I recognize there is a practical political problem right now. But it is inconsistent, in my view, to cut Federal expenditures by \$6 billion and talk at the same time about improving the lot of the poor. I am delighted that quite a number of people in the House of Representatives recently voted that way.

Senator PROXMIRE. But there is a very hard, tough, remaining inconsistency in the Phillips curve notion, the inconsistency in the level of unemployment and price stability.

Mr. PECHMAN. I favor any move to move the Phillips curve to the left, for example, by increasing job training.

Senator PROXMIRE. How about wage-price guidelines?

Mr. PECHMAN. Enforcing wage-price guideposts is a difficult problem under inflationary conditions. I am in favor of wage-price guideposts, but I do not expect that their shortrun effectiveness would be very great when total demand greatly exceeds potential supply.

Senator PROXMIRE. Mr. Rolph?

Mr. ROLPH. I agree pretty much with what Dr. Pechman says. On the tradeoff, it seems to me what is relevant here is that if we do not have a tax increase, we have to have a tighter monetary policy. If you want to clobber the housing industry again, I think that would be pretty serious. And I think that is the kind of choice you really have as far as the shortrun point of view is concerned.

Now, let me direct my attention to minimum wage laws. I am glad to agree with Professor Hildebrand about this. But I think the proper stance is to get rid of minimum wage laws. If you have a proper income redistribution plan, any excuse for minimum wage laws disappears. Then you no longer harm the people who are, for one reason or another, not particularly attractive to employers. This is what a minimum wage law does.

Senator PROXMIRE. What you are saying is, you would make the guaranteed income for the negative income tax sufficiently attractive so that a person just would not work if he did not get, say, \$1.60 an hour or \$1.90 an hour?

Mr. ROLPH. No; on the contrary. Consider the person who is worth only \$1 an hour. It is true that a minimum wage cuts him out. One dollar an hour is about \$2,000 a year. That, plus a redistribution plan, may put him in reasonably good shape. If you cut him out altogether, you put him in really rough circumstances. That is what I am talking about.

I do not know why the view has ever gotten around that for some reason or other, a certain commodity labor service should never have a price below a certain number. It does not make economic sense.

Senator PROXMIRE. You see, we have had a history of this. We have had quite an experience with minimum wage and we have quite convincing arguments that it has created a very good result. As you know, we have had a 25-cent minimum wage, a 40-cent minimum wage, a 75-