

People today are taking as a matter of course the assumption that the dollar, having lost 4 percent or so of its purchasing power in the last 12 months, is going to lose at least that much in the next 12 months. This is one of the reasons, for example, why interest rates are at the highest levels in our history, because the people who lend money feel that when they get it back next year, it will have 4 percent less purchasing power and therefore, if they are nominally getting 7 percent, they are only getting about 3 percent, and so on.

I do not think it is possible to fix what the cost would be of the guaranteed income tossed on top, as it more or less would be, of everything else. Possibly there would be some reduction in direct relief, but I have cited a total of \$110 billion a year that we are already paying now for various forms of welfare.

Of course, a lot of that is education, but even if you deduct education, veterans' payments, and so on, you still have a Federal, State, and local bill in excess of \$70 billion a year for welfare payments alone.

The result of the inflation we have already had and the inflation we still face is that all of us, the aged particularly, are worried about what is happening to the dollars we have saved.

Now, Dr. Tyson seems to be worried because some people seem able to live on income from previous savings. A lot of people feel that the money that they have been able to put aside in their working years is not going to be enough to take care of them if we have a runaway inflation. I think that the result of this guaranteed-income plan, especially if the negative income tax is used as an entering wedge, will be to enormously increase the inflation of the past. If Congress adopts any of these proposals, it will lead us into the Latin-American type of inflation which we have seen over the last 20 years, in which the value of the currency falls 50 percent in a single year, and in which the value, say, of the three outstanding Latin American currencies—of the Argentine, Chile, and Brazil, to go no further—is less than one one-hundredth of what it was 20 years ago.

This is the kind of thing we face if we take up these proposals.

Representative GRIFFITHS. I would like the rest of the panel to answer next time. My time is up for the moment.

Senator Proxmire?

Senator PROXMIRE. Mr. Hazlitt, do you see no escape from the present welfare system, with its total disincentive to work? You said that years ago, you wrote an article for a New York Times publication in which you tried to provide a way of getting out of it, that you found you were in a dilemma, that it would cost so much that it would not work.

So can we do nothing about this?

Mr. HAZLITT. As an inflexible automatic system, it would not work. I remember some 10 or more years ago talking to some of the Social Security people here and suggesting this device as a way of dealing with the income of the people between 65 and 72 who were not then allowed to earn more than a certain small amount. I remember that the official I spoke with said the device sounded like a good idea. It has since been put into effect through a small range.

Now, these things can be done on a trial scale within certain limits. There are a lot of things, for example, that you can play with. You might try reducing relief payments by \$1 for every \$2 earned,