the relief rolls in the first place. This is the kind of dilemma you get into on these graduated proposals.

Senator PROXMIRE. As I say, I think you would have to modify the minimum wage, perhaps.

Hr. HAZLITT. There are modifications that can be experimented with, but I am skeptical about them.

Senator PROXMIRE. Let me ask this: As a matter of technical fact in response to the partial answer you gave to the chairman, why could not adequate taxation take care of any inflationary problem? I am not saying it would be politically feasible, necessarily, but you can make any transfer payments you want and stabilize prices by a tax system; is that not a simple economic fact?

Mr. HAZLITT. Well, the implication there is that we are undertaxing rather than overspending. I think what we are doing is overspending, and the cure is not raising taxes.

Senator PROXMIRE. But if you have a program that costs $30, $50, or $100 billion, in order to provide a minimum payment to people with low incomes, you can take care of the inflationary impact of this by simply increasing your taxes to meet it, is that not correct?

Mr. HAZLITT. It is only possible up to a certain point.

Senator PROXMIRE. I am not saying it is necessarily politically feasible, but I am saying that as a technical economic matter, you can do this?

Mr. HAZLITT. I do not think so, because if the South American countries today——

Senator PROXMIRE. But they do not do it; that is their problem They do not have an adequate tax system.

Mr. HAZLITT. Exactly. So we get to a point where expenditures get to a certain level and the politicians in power do not dare to levy an equivalent tax.

Senator PROXMIRE. You are shifting the answer. I am saying you have a tough political problem; that is something we have to face. But from an economic standpoint, you can make whatever payments you want as transfer payments provided your level of taxation is enough to raise the revenue to make the payment?

Mr. HAZLITT. I do not think you can separate the economic entirely from the political possibilities on that.

Senator PROXMIRE. I am sure you cannot, unfortunately.

Mr. HAZLITT. But I mentioned the fact that inflation today is worldwide; although the dollar is only worth 36 cents today as compared with the 1939 dollar, the dollar is still among the far more respectable currencies. The French franc went down the drain so many times that you cannot count them. And this is what happens invariably when you get your Government expenditures above a certain level. It is the tax system that breaks down, the collectability of taxes that breaks down.

Another thing you have to figure is this, that you cannot raise revenues in proportion to tax rates. As a matter of fact, if you go back and look at the 1964 debates when we were lowering tax rates, the argument of the administration then and of the Congressmen who voted for it was that if you lowered the rates you would get higher revenues and you would have increased prosperity.