

tionships. They don't hypothesize them. They simply describe them statistically.

Chairman PROXMIRE. Doesn't the overwhelming majority of the economic profession think it has something to do with the Phillips curve that describes this phenomenon, or not?

Mr. TURE. I haven't taken a poll, sir, but I am sure that your impression is correct, that a great number of economists do in fact believe that there is some hidden functional relationship between the rate of resource utilization and the rate of increase in wages and unit labor cost and in prices.

I find the hypothesis behind that relationship is scarcely articulated. I find it an enormously unappealing notion.

Mr. SCHULTZE. I suspect that economists would generally agree on either extreme of the Phillips curve.

By that I mean with very substantially excessive demands, a combination of the level and rate of change, you get significant price increases. With very excessive unutilized capacity, you are very unlikely to get price increases extending over any period of time. But, it is the whole area in between these extremes about which we don't know too much.

Mr. TURE. But, you will have price increases from the past.

Chairman PROXMIRE. It seems to me that underscores the point that the surtax is not going to affect demand sufficiently to get much of a change in prices. The whole point of the surtax, as the President described it, is to stem inflation. Now you say there is a lag to it, so there is serious question whether it has any effect or not.

Mr. SCHULTZE. One-half of that statement I would subscribe to. Namely, it wouldn't have much effect for the next 6 to 9 months. That is not awful important.

The other half, that I would not subscribe to, is that it would not have any effect. I do agree the effect will be a lag effect.

Chairman PROXMIRE. At any rate, it will be after the election, which explains perhaps Republican enthusiasm for it.

Gentlemen, thank you very, very much for a spirited and exciting and interesting presentation.

The Joint Economic Committee will stand adjourned.

(Whereupon, at 5:10 p.m., the committee adjourned, to reconvene at the call of the Chair.)