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## Discussion: Effects of Shifts of Aggregate Demand upon Income Distribution

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Professor Minsky has ranged far and wide, making some fairly controversial pronouncements which he does little to support. I suspect that this is largely because so many are unsupportable. However, a paper of this sort opens to the discussant a rare chance to make his own unsupported statements in reply. I do not intend to let the chance slip by.

In analyzing poverty and planning a program to lessen its extent, it is useful to distinguish four types of poor people: (1) the physically or situationally unemployable, (2) the socially unemployable, (3) the employable unemployed, and (4) the poorly paid. Minsky's paper deals only with the fourth category. He contends, if I understand him correctly, that

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prosperity does little for the poorly paid; it benefits principally those who would be well off even if the economy were not booming.

It is hard to disagree with this proposition, but I would not be convinced by the evidence he presents in support of it. Group means followed over a period of time are very tricky when people are free to move into or out of the groups. If indifferently paid New England textile workers become well-paid electronics workers while poor southern share croppers become indifferently paid textile workers, should we really lament a widening wage differential between the two industries? What matters, after all, is what happens to individuals. It is easy to concoct examples in which the mean wage of a group falls from one year to the next even though everyone attached to the group in the second year has then a higher wage than he had in the first. The only way to find out what happens to individuals over the course of time is to follow the fortunes of individuals. Panel surveys may be costly and require patient researchers but there are no quick and cheap substitutes for them.

Suppose, however, that a carefully contrived piece of research did reveal, as seems likely, that gorging the jackasses is a very inefficient and uncertain way of getting grain to the sparrows. What sorts of institutions would we like to develop as supplements to the private economy so as to provide an income distribution consistent with our democratic ideals, not to mention "domestic peace and tranquillity"?

First, there is the problem of the physically and situationally unemployable—the aged, the unwell, and the female household heads with infant children. The answer for them is simple: give them money. Since the needs and situations of such people are so variable, it seems inevitable that such assistance must continue to be distributed through case-work welfare.

Second, there is the socially unemployable group—the poorly educated and the socially maladjusted who are yet reclaimable. For these we need to do much more than we do now in the way of combined maintenance and human development programs. One hopes that the aid of private business can be enlisted in such endeavors through the judicious use of tax credits or subsidies for training expenses.

Third, we have the employable unemployed. I fail to see how this group can be very large with adequate aggregate demand. What pass for the present as the unemployed must to a considerable extent be unemployables. To use their unemployment as evidence that demand strong enough to produce inflation is still too weak to eliminate unemployment is simply to becloud the issue. It does seem, however, that new entrants are likely to remain problem cases even in prosperity. We need for them an unemployment compensation system which does not make prior servitude a condition for receiving benefits.

Suppose we had really adequate programs to care for those who cannot be unemployed and to assure adequate training and opportunity to those who can. Would we still have a poverty problem? Would we still be faced with the cases in my fourth category—people who have been educated to the extent of their abilities, who are working, but who are so unproductive that they cannot earn a decent income? I do not know, nor do I know how one could find out except to get there and see.

However, I am convinced that if low pay arising from low personal capacity were to remain a persistent problem, we would have no need of Minsky's governmental "employer of last resort." I see no reason why a person who could work for a private firm and have his wage supplemented by a negative income tax should prefer to work for the government at the same income. We should aim for employment of all and an equitable income distribution, not an equitable wage distribution. A WPA seems likely to have much greater real resource costs than those arising from the disincentives of the negative income tax. Moreover, it would be criminal to create a class of salient second-raters in the name of humanizing the income distribution.