on a provision that people can retire on social security at the age of 60. They get a reduced benefit so the cost to the Government over a period of time is nil. This would obviously reduce labor supply and cushion the employment impact.

This obviously would diminish the pressure on jobs. It would tend to increase demand to some extent, at least in relationship to available supply. How about this as a ——

Mr. EISENMENGER. It would certainly help. However, you may have very substantial Federal spending for early retirement in all areas of the country just to help what may not be a very serious problem, except in a few isolated communities. In other words, it may be an inefficient way to spend Federal money to accomplish desirable social goals. For instance, you may have to make early retirement payments in Chicago, which is a booming area, and in Worcester, Hartford, and Springfield, just to save what may be a few problem areas—New London, Conn., perhaps, a few southern towns, and maybe one or two towns in southern California. My off-hand guess is that it is an inefficient way to solve what is probably a minor problem.

Chairman PROXMIRE. Did I understand you to say that an inflationary economy is necessary in order to reduce chronically high area unemployment?

Mr. BOLTON. I think that was a point I suggested, Senator.

Chairman PROXMIRE. I see.

Mr. BOLTON. I think the past evidence does suggest that quite strongly.

Chairman PROXMIRE. So that you would say in these areas that are particularly hard hit by an ending of the war in Vietnam, that to solve the problem as far as they are concerned, given the people in that area, if they don't move, that you are going to have to have an inflationary economy in your judgment.

Mr. BOLTON. I think much would depend on the characteristics of these areas. These areas would probably not be in as bad shape as the depressed areas of the past, and I don't think—perhaps there wouldn't be too much excess demand pressure which would be required to bring an adjustment in the case after Vietnam, but one's assessment of this depends on one's standards as to what is a reasonable amount of inflation and what is a reasonable amount of unemployment. All the evidence we have I think suggests there is a trade off here, and given present policies and practices of people on mobility, it is just very difficult to have your cake and eat it too.

Chairman PROXMIRE. Let me turn this around for all of you gentlemen, just a minute. As you know, the day before yesterday General Westmoreland in New York said he foresaw no end of the war, and implied that they would need more troops in an escalation, and yesterday Senator John Stennis, in testifying, also indicated that he felt that there would be an escalation this year, an escalation of an additional 50,000 troops with an impact on the economy of $4 to $6 billion more spending than the administration had planned for, although they had planned for a large increase.

I would like to ask the three of you how will this affect the industry, the regional economic and the general economy? We will start with Mr. Eisenmenger. Are we equipped, in other words, to meet this in