Mr. WEIDENBAUM. I think it would be helpful to make a distinction between a one-two punch, so to speak. There is the initial set of actions and there is a followon set of actions.

I think the initial set of actions, the kind of thing that maintains the aggregate demand of the conomy immediately, something that takes hold as soon as the defense contracts are cancelled, as soon as defense workers are laid off, as soon as servicemen are returned as veterans—that initial action is essential to head off any postwar recession.

Chairman PROXMIRE. At the same time, I think that some of this takes some calculation. For instance, the announced program by the Defense Department to phase out slowly our procurement, replenish inventories and build them up over a period of time.

The statistics revealed by the Veterans' Administration, that whereas less than 30 percent of the veterans of World War II went to college under the GI bill, 50 percent of the Korean war veterans did, and 84 percent of the Vietnamese veterans are going on with their education, taking advantage of the GI bill.

This suggests that the manpower adjustment may be a lot easier than we have had before, and that the adjustment can be relatively gradual and relatively gentle.

Mr. WEIDENBAUM. I am glad to hear that. I wasn't aware of that. That would take care of obviously the majority of one part of the problem—that is the returning veterans.

It wouldn't deal with the deflationary impact on the private sector, the defense companies, their employees, the geographic areas where they cluster.

Chairman PROXMIRE. Of course, it also indicates we have to make some plans for getting the available instructional personnel, and so forth, for these veterans coming back. This is going to have an impact on our higher educational institutions, with a flood of veterans, unless you are going to jam them into a great big lecture hall. You are just going to have to have more teachers available.

Mr. WEIDENBAUM. There are many private universities that would welcome these veterans eagerly.

Chairman PROXMIRE. The ones I know, my kids can't get into.

Mr. WEIDENBAUM. I will be glad to send them applications to Washington University.

Chairman PROXMIRE. They will probably end up there. They will be delighted to be there.

Mr. WEIDENBAUM. Fine.

On the question of initial adjustment policies, here we have I think a package of monetary policy which of course is under the jurisdiction essentially of the Federal Reserve Board, but I think a simple, straightforward, across-the-board tax reduction, sort of the reverse of the beautifully simple recommendation in the latest budget message for a tax increase, just change the algebraic sign, that would be an essential part of the first line.

The second of course, would be unemployment compensation. Usually, we wait until a recession and then we liberalize unemployment compensation. It strikes me that this is the kind of thing that can be done before you see the whites of their eyes, so to speak.